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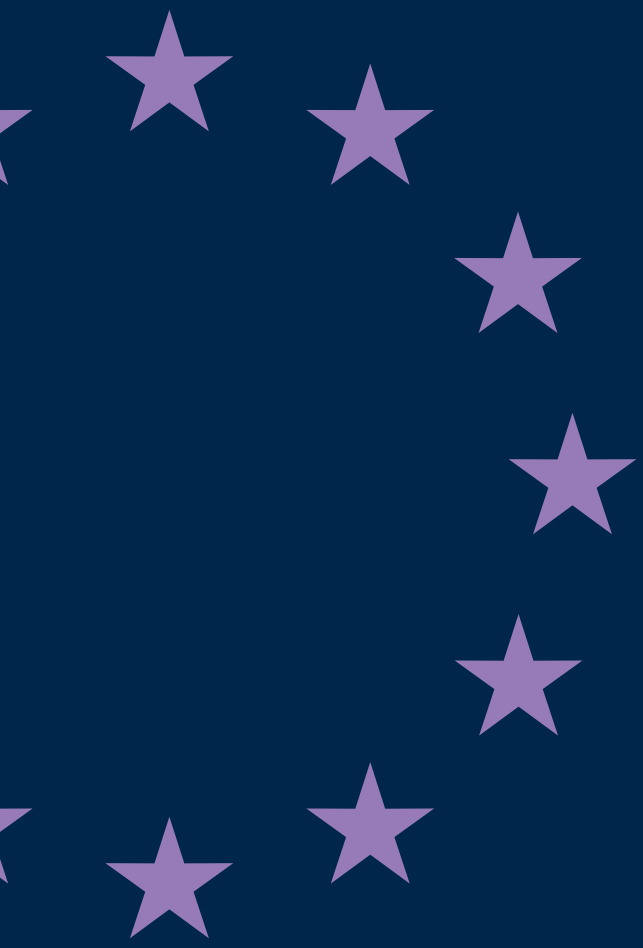

Labour market and wage developments in 2005, with special focus on labour market adjustment in the euro area

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Abbreviations and symbols used

Member States

BE	Belgium
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

EUR-12	European Union Member States having adopted the single currency (BE, DE, EL, ES, FR, IE, IT, LU, NL, AU, PT, FI)
EU-25	European Union, 25 Member States
EU-15	European Union, 15 Member States before 1 May 2004 (EUR-12 plus DK, SE and UK)
EU-10	European Union, 10 Member States that joined the EU on 1 May 2004 (CZ, EE, CY, LV, LT, HU, MT, PL, SI, SK)

Currencies

EUR	euro
ECU	European currency unit
DKK	Danish krone
GBP	Pound sterling
SEK	Swedish krona
CAD	Canadian dollar
CHF	Swiss franc
JPY	Japanese yen
SUR	Russian rouble
USD	US dollar

Other abbreviations

SCPs	Stability and convergence programmes
PEPs	Pre-accession economic programmes
NMS	New Member States
SGP	Stability and Growth Pact

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Main findings

Labour market conditions improved in 2005, as employment started to react positively, albeit with its usual delay, to the pick-up in economic growth. Employment growth in 2005 accelerated to 0.7% and the unemployment situation also improved slightly, a development that was confirmed in the first part of 2006.

However, this represents only a moderate improvement in the performance of the labour market, reflecting the still high level of cyclical slack in economic activity in 2005. Furthermore, the cyclical recovery of employment observed at the aggregate EU level masks diverging developments across Member States. And the recovery in labour market conditions follows a period (2001-2004) during which employment creation slowed down due to the deterioration of cyclical conditions.

Looking forward, strengthening economic activity will feed through more forcefully into new jobs in the months ahead. The size and nature of the inactive working-age population on Europe's labour markets suggests that there is potentially significant labour availability.

Looking at the gender dimension, employment growth continued to be faster for women than men in 2005, paralleling the long-term trend of stronger growth in female labour force participation. However, it was also notable that the employment of prime-age males rebounded after a very long period of decline. A further remarkable feature was the continuation of the positive trend in the employment rate of older workers (accounting for around two-thirds of total employment growth over the period 2001-05 in the EU-25).

Output growth became sluggish in the last quarter of 2005, but this was only moderate and short-lived, and therefore had no major spillover onto the labour market. Indeed employment growth accelerated slightly, probably due to labour hoarding by firms expecting the easing in output growth to be temporary. The other side of the employment recovery observed in 2005 was a generalised, though still moderate, decline in labour productivity growth. This trend contrasts with the pick-up observed in 2004, which was a cyclical rebound, mainly resulting from lay-offs and a more intense use of the existing workforce. While much of the 2005 weakness in labour productivity growth is also likely to reflect cyclical factors, many countries in Europe are also facing a structural problem of low productivity. This does not bode well for the future as, over the long term, strong labour productivity growth has a major positive impact on the economy and on employment, boosting the incentive to invest in both capital and labour. Nevertheless, in so far as the economic upturn becomes broader and more sustainable, further progress can be expected in both employment and labour productivity performance.

Wage growth did not accelerate in the euro area in 2005 despite a brightening of the economic outlook, gradually declining unemployment and consumer price inflation persistently above 2 %. In some euro area Member States, nominal wage increases above the euro area average translated into a further erosion of intra-area price competitiveness. If the cyclical situation is taken into account, an increase of nominal unit labour costs of more than 2 % can be observed for Greece, Ireland, Italy, Luxembourg and Portugal.

In most of the new Member States, high wage growth in 2005 was in line with productivity and price trends. According to the ECFIN forecast, nominal unit labour costs will increase by less than 4 % in 2006 in all countries except Latvia, implying a clear deceleration in those countries that had a high increase in nominal unit labour costs in 2005, namely Estonia, Lithuania, Hungary and Slovakia.

This issue's focus section addresses labour market adjustment in the euro area, showing that differences in economic growth across the euro area are strongly bound up with labour market developments that began well in advance of the launch of the monetary union. Euro area

Member States had different starting positions in the mid-1990s in terms of labour market participation, level of labour costs and industrial structure. Employment has grown in countries which had ample labour market slack and therefore some leeway for catch-up growth in terms not only of productivity but also of labour utilisation. This catch-up phenomenon has sparked differences in employment and growth rates that do not necessarily lead to imbalances.

Although the prevalence of long-term trends in employment and unemployment has meant that there has not been much of a role for prices in rebalancing growth differences in the euro area, countries with higher employment growth also had higher wage growth, implying that adjustment via wages has taken place. However, the presence of persistent differences in employment growth, despite wage growth pointing in the right direction, may be caused by differences in countries' starting positions. Wage levels, even adjusted for productivity, were markedly different in the mid-1990s but, according to the calculations presented in the focus section, have converged. Convergence has meant upward pressure on wages in low income countries, making it more difficult to adjust wages downwards in response to adverse external shocks. It also means that the weak employment performance in some of the high-income countries may have been caused by their high initial wage level.

The analysis also shows marked differences in the development of employment in the sectors that are exposed to international competition and those that are not. In the manufacturing sector, despite differences in export performances consistent with the development of relative labour costs, employment trends have been broadly similar. It is mainly job creation in services that accounts for differences in employment growth. Although the cross-country analysis suggests strong links between wage growth in manufacturing and services, there is no evidence of strong substitution of employment in either sector. Accordingly, sectoral labour flows contribute little either to current account adjustment or, hence, to rebalancing growth differences in the euro area. Apparently, high wage growth in services in countries with strong employment growth has led to service price inflation rather than to less job creation.

1. Introduction

This report analyses labour market and wage developments in 2005 from a macroeconomic perspective, looking at the main geographical aggregations (euro area, EU-15, EU-10 and EU-25). Given that final year data for 2005 only arrived very recently, the analysis is preliminary and subject to further verification and refinement. The analysis contains many of the elements which will be included in a report to be published by DG ECFIN at the end of June 2006, which will be similar to the report covering 2004 that was published by ECFIN in June 2005 and examined by the Labour Market Working Group (LMWG) ([1]). The report has a macro perspective and does not attempt to provide a detailed description of labour market trends by country, sector or type of employment, nor does it review policy initiatives or labour market reforms at EU level ([2]). The macroeconomic focus has been adopted in order to shed light on the interaction of employment trends with other macroeconomic developments such as productivity and GDP growth. Within the framework of the revamped Lisbon strategy for *'Growth and Jobs',* this report is a contribution to the overall efforts to upgrade the monitoring of macroeconomic developments in the EU ([3]). To this end, the report presents an analytical interpretation of the most recent trends and prospects on both the quantity side (participation, unemployment and employment) and the labour cost side (wage and unit labour cost developments).

The remainder of this report is structured as follows. Section 2 presents an overall review of recent labour market developments. In this section the report considers recent employment and unemployment trends in 2005, with a closer look at age and gender specific patterns and the remaining path toward the Lisbon targets, and decomposes main developments according to determining factors such as demographic factors. It also looks at future prospects based on the European Commission's spring 2006 forecast. Section 3 examines the job content of growth, assessing the employment intensity of growth in recent years as well as the interaction between employment and productivity developments. Section 4 describes recent nominal and real wage developments as well as unit labour costs, focusing on both the aggregate situation for the euro area and the performance of the new Member States.

Some technical details on the analytical tools used in this report are presented in a series of annexes. The report includes also a statistical annex which provides data on key labour market aggregates for each Member State as well as for the EU-25, euro area and EU-10.

([1]) European Commission (2005).

([2]) An exhaustive panorama of recent developments in European labour markets can be found in the annual *Employment in Europe* report published by the European Commission (DG Employment) which can be found at http://ec.europa.eu/employment_social/employment_analysis/employ_en.htm. More detailed analysis on reforms of labour market institutions can be found in reports related to the Lisbon strategy and the Interated Guidelines Package which encompasses the Broad Economic Policy Guidelines (BEPGs) and the European Employment Guidelines. The recent assessment of the national reform programmes, along with a detailed analysis of the employment aspects of the programmes at national level can be found in Communication from the Commission to the Spring European Council, *'Time to move up a gear: the new partnership for growth and jobs'* at http://ec.europa.eu/growthandjobs/annual-report_en.htm. The most recent Joint Employment Report evaluating labour market reforms in 2005 undertaken in response to the Employment Guidelines, within the framework of the Integrated Guidelines for Growth and Jobs (2005-2008), can be found at http://europa.eu.int/comm/employment_social/employment_strategy/ employ_en.htm and http://ec.europa.eu/growthandjobs/annual-report_en.htm.

([3]) In accordance with the conclusions of the Brussels European Council of 22 and 23 March 2005, the BEPGs will continue to embrace the whole range of macroeconomic and microeconomic policies, as well as employment policy insofar as this interacts with those policies, and the BEPGs will ensure general economic consistency between the three strands (macro, micro, employment) of the strategy. The enhanced macroeconomic focus of the BEPGs and their role in ensuring better coherence between macroeconomic and structural policies is reflected in the proposals of the Commission for Integrated Guidelines for Growth and Jobs (see Integrated Guidelines for Growth and Jobs (2005-2008), including a Commission Recommendation for the BEPGs and a proposal for a Council Decision on guidelines for the employment policies of Member States, COM(2005)141 of 06.04.2005).

2. General developments in 2005

2.1. Employment and unemployment performance

Overall employment performance: mild recovery in 2005

Structural reforms of product and labour markets, together with wage moderation, began to pay off in terms of employment during the second half of the 1990s. However, during the early years of this decade, the economic downturn led to a slow down in employment creation and only 2 million additional jobs were created between 2001-03. Labour market performance was also rather lacklustre in 2004. In 2005, there was a gradual improvement, and employment growth recorded a slight acceleration from 0.6 % in 2004 to 0.9 % in the EU-25 and from 0.6 % to 0.7 % in the euro area ([1]). Employment growth remained reasonably robust even if the overall GDP growth slowed down in 2005, suggestive of increased labour market resiliency in the face of negative shocks. Yet, the pace of growth remained quite below that recorded in the last part of the 1990s. (see Table 1 and Graph 1 – detailed country figures are in the statistical annex).

([1]) These figures are based on national accounts. They differ from employment data resulting from the labour force survey. While national accounts figures record an increase of about 1 million jobs in 2005, labour force survey figures point to an increase of more than 2 million jobs. Most of this discrepancy (about 900 000) is due to the huge difference in German figures. Estimates for 2005 in Germany are not fully comparable with previous years, due to a change in the methodology. Until 2004, only figures referring to the second quarter were based on the Labour Force Survey, while for the other quarters the available figures were based on national estimates. In 2005, figures for all four quarters are based on the LFS.

Table 1

Labour market indicators

	EU-25		Euro area	
	2004	**2005** ([1])	**2004**	**2005** ([1])
Activity rate (as % of population 15–64)	69.5	*70.0*	69.1	*69.8*
Male	77.4	*77.7*	77.8	*78.2*
Female	61.7	*62.4*	60.5	*61.4*
Employment rate (as % of pop, 15–64)	63.0	*63.6*	62.7	*63.4*
Male	70.6	*71.1*	71.3	*71.7*
Female	55.4	*56.2*	54.2	*55.2*
Employment growth (%) (national accounts)	0.6	*0.9*	0.6	*0.7*
Temporary employment (as % total)	13.5	*14.2*	15.2	*15.9*
Part-time (as % of total employment)	17.2	17.9	17.4	18.6
Male	6.3	*6.7*	5.8	*6.3*
Female	31.0	*32.1*	32.8	*34.6*
Unemployment rate (Harmonised: 15–74)	9.1	*8.7*	8.9	*8.6*
Long-term unemployment rate (as % of total unemployment)	44.1	*45.5*	43.7	*44.9*

([1]) 2005: preliminary figures.

Source: Eurostat (LFS) and Ameco.

In 2005, the still moderate growth of employment (based on national accounts figures [1]) at the aggregate EU-25 and euro area level was driven by differing performances across countries. Employment contracted in Germany (by -0.2 % but as indicated in footnote 8, this figure may be subject to upward revision) and in the Netherlands (although by much less than in 2004). Following a strong employment performance during the period 2002-04, Italy employment growth slowed down to a very low pace (only +0.2 %) [2].

All other countries recorded positive employment growth in 2005, with the biggest improvements recorded in Spain (3.6 %, although the regularisation of migrants may have contributed to this increase) and Ireland (4.7 %), followed by Sweden, Finland, Poland, Slovakia and Lithuania.

Increasing use of part-time and temporary labour contracts accounted for more than half of the overall increase in employment in 2005. The share of part-time workers rose to close to 20 % in the EU-25 (18.5 % in the euro area). The incidence of part-time employment among women in work rose to 32 % in the EU-25 and to almost 35 % in the euro area, as opposed to about 6.5 % among men. The share of temporary contracts went up by half a percentage point, to reach 14.2 % in the EU-25 and almost 16 % in the euro area. The highest increase was recorded in Germany (from 12.5 % of the overall jobs in 2004 to 14.3 % in 2005) and Poland (from 22.6 % to 25.6 %) (see country tables in the statistical annex).

Employment developments by gender shows a balanced contribution of females and males to overall employment growth in 2005

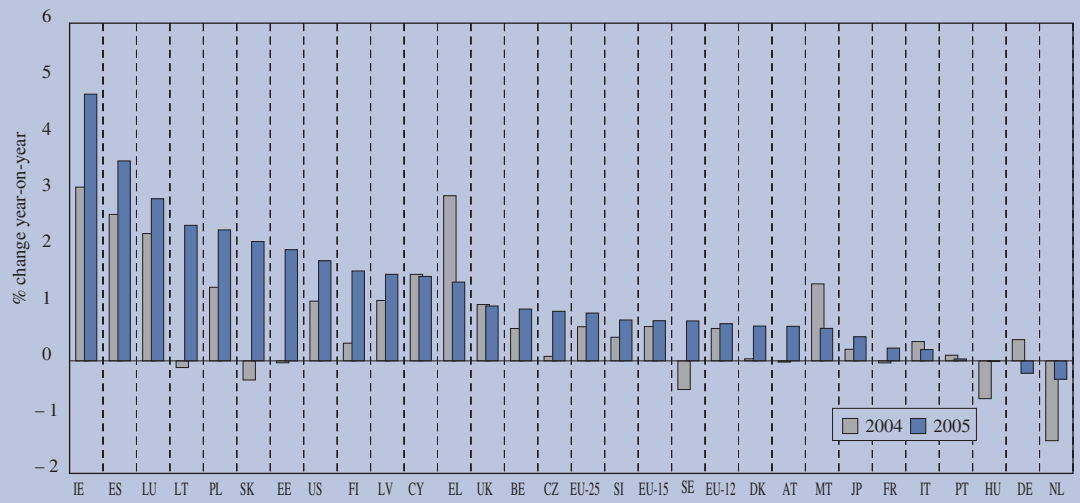
Annual employment growth is broken down by age group and gender in Table 2 [3]. Over the period 2001-2004, employment growth was much faster for females than males, reflecting the long-standing trend of stronger growth in labour force participation of women. In 2005, the recovery in the employment growth has benefited also prime-age males, whose employment rose by 0.5-0.6 percentage points in the EU, leading to a more balanced composition of growth by gender.

[1] National accounts measure employment according to ESA95 methodology and ILO criteria. 'Employment' covers employees and self-employed working in resident production units (i.e. the domestic employment concept). See Eurostat, Euro-Indicators, news release, N.77/2006.

[2] In terms of full-time equivalent employment, that is taking into account hours worked and the use of the Wage Supplementation Scheme (Cassa Integrazione Guadagni-CIG), employment went down by 0.2% in 2005, for the first time since 1995. See Banca d'Italia, Economic Bulletin, N. 46, March 2006.

[3] These figures are based on labour force surveys and refer to the age group 15-64. Please note that in some countries (notably Spain, Italy and the UK, but also Germany and Sweden), some official labour market data has been revised over the last two years, following revision in the structure of the labour force survey and updating in the official estimates of population. This may have created some breaks in the series making the comparison with past years more difficult.

Graph 1: **Employment growth, 2004-2005**



Source: Commission services.

A closer look at developments at national level, (see Table A1 in Annex 1) shows that over the period 2001-2005, the contribution of males has been negative in Germany, the Netherlands, Portugal, Finland and Hungary. A breakdown of employment growth by age groups shows that in particular prime-age (males) in Germany, the Netherlands and Finland, have dragged down the overall employment growth, while in Portugal and Hungary young persons provided a negative contribution. The number of prime-age male workers registered a decrease in other countries as well (DK, FR, AT, SE and UK, MT, PL).

Still significant increases in the employment rate of older workers

The relatively large increase in the employment of older workers has been one of the most remarkable labour market developments of recent years, accounting for more than 90 % of the entire growth in the EU-25 employment during the period 2000-2004, and for about 60 % in the euro area (see Table 2 and Graph 2). Recent reforms in pension systems that have postponed the statutory retirement age and cut incentives for early retirement have reversed the structural decrease in participation of older workers in many Member States. The positive contribution of older workers is offset somewhat by the negative contribution of younger employers (mainly males but also females, though to a much lower degree).

In 2005, the contribution to employment growth of older workers was still positive but relatively less relevant than the year before, due to a recovery in the job creation for younger and prime-age workers. The number of older workers recorded the most remarkable increases in Belgium (close to 10 %), Spain (8 %), Ireland (+8 %), France (6 %), Finland (7 %) and Luxembourg (15 %). In the new Member States, the most significant rise in the number of older workers was recorded in Hungary (7 %), Poland (9 %) and Slovakia (17.5 %). Overall, between 2000 and 2005 the employment rate of older workers increased by more than 6 percentage points both in the EU-25 and the euro area (compared to about 1 percentage point over the previous five years, 1995-99). These promising developments warrant further analysis, however, especially as regards their sustainability if no further changes are made to early retirement schemes and pension systems, attitudes of enterprises towards older workers, wage setting mechanisms (and seniority-based wage increases), and the short-term impact on the employment rate of younger persons ([1]).

The impact of population and participation rate effects on the dynamic of employment rates

The contribution of different gender and age groups to the changes in the employment rates and the participation rates is shown in Table 3, along with the contribution provided by the demographic component (detailed country figures are in Table A2 and Table A3 in Annex 1). In recent years, there has been acceleration in the changes in the structure of the European labour force. Over the period of cyclical slowdown (2000-03) and the first part of the recovery in 2004, the increase in both participation and employment rate was almost entirely due to the female component. While male employment has been a drag on the overall trend in employment rate for some time now, it is worth stressing again that the employment performance of males, especially of prime age, has improved considerably in 2005, thus contributing positively to the overall increase in the participation rate and employment rate. The impact of the demographic effect (that is the shift in the relative share of different age and gender groups) on the overall employment rate is also relevant and deserves attention. Indeed, up to one-third of the improvement in the overall employment rate is due to the increasing share of older workers, which has been the most dynamic component in the labour market over the last five years.

Slight reduction in the unemployment rate in 2005

After a substantial fall from 1997 to early 2001, the unemployment rate ([2]) for the EU-25 started to increase reaching a new peak in 2004. In 2005, the unemployment rate

([1]) The impact of recent pension reforms on the labour market was projected by the Commission and EPC as part of the labour force projection used to project age-related expenditure projections, see EPC and European Commission (2005), EPC and European Commission (2006),'The impact of ageing on public expenditure: projections for the EU-25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050)', European Economy, Special Report No 1, European Commission and Carone (2005), 'Long-term labour force projections for the EU-25 Member States: a set of data for assessing the economic impact of ageing', Economic Papers No 235, European Commission, DG ECFIN. The policy implications of pension reforms which extend working lives, and their relationship with projected future increases in life expectancy at retirement, is examined in Carone, Costello, Diez Guardia, Mourre, Przywara and Salömaki (2006), 'The budgetary impact of ageing populations in the EU-25: an analysis of the results and policy implications of the 2006 age-related expenditure projections of the EPC and European Commission', Economic Paper, European Commission, Directorate-General for Economic and Financial Affairs, not yet published.

([2]) The 'harmonised' unemployment rate, compiled by Eurostat, referred to people aged 15 to 74, who are unemployed according to the ILO definition.

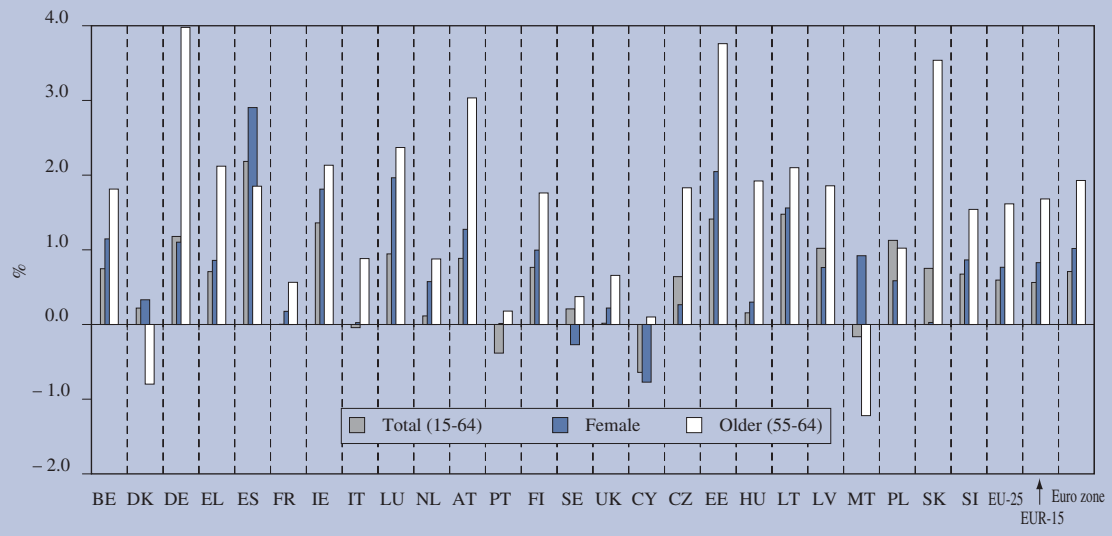
Table 2

Employment growth — contribution by gender and age groups (in %)

	2004-05						2001-04					
	EU-25		Euro area		EU-15		EU-25		Euro area		EU-15	
	Growth rate	Contribution	Growth rate	Contribution	Growth rate	Contribution	Growth rate	Contribution	Growth rate	Contribution	Growth rate	Contribution
Employment growth	1.8	(100 %)	1.9	(100 %)	1.7	(100 %)	0.5	(100 %)	0.7	(100 %)	0.1	(100 %)
Young (15-24)	0.5	3	1.0	5	0.4	2 %	– 1.4	– 29	– 1.4	– 23	– 0.9	– 15 %
Prime age (25-54)	1.4	63	1.6	67	1.4	64 %	0.3	36	0.5	58	0.3	37 %
Older (55-64)	5.6	34	4.9	28	5.1	34 %	5.2	93	4.6	65	5.2	78 %
MALE:	1.4	47	1.3	40	1.1	41 %	0.1	11	0.1	4	0.1	10 %
Young (15-24)	2.1	7	1.0	3	2.1	7 %	– 1.2	– 13	– 1.6	– 14	– 0.8	– 7 %
Prime age (25-54)	1.2	29	1.3	30	1.0	26 %	– 0.3	– 22	– 0.2	– 15	– 0.3	– 21 %
Older (55-64)	2.9	11	1.9	7	2.0	8 %	4.2	46	3.7	33	4.1	38 %
FEMALE:	2.1	53	2.1	60	2.1	58 %	1.1	85	1.1	95	1.3	87 %
Young (15-24)	1.3	4	1.0	2	1.5	4 %	– 1.1	– 10	– 1.2	– 9	– 0.3	– 2 %
Prime age (25-54)	2.9	31	2.0	37	1.7	34 %	4.2	53	1.4	72	1.1	53 %
Older (55-64)	7.9	19	9.7	21	7.7	20 %	6.3	43	6.2	32	6.3	36 %

Source: Commission services, based on Eurostat, LFS.

Graph 2: **Increases in the employment rate (2005, in pp.)**



Source: Commission services.

declined by 0.4 percentage points, but remained above the low level reached in 2001. The rate in May 2006 reached 8.2 %, down from the 8.8 % recorded in May 2005 (seasonally adjusted unemployment rate). This reduction brought the number of unemployed persons close to 18 million in May 2006 (almost 2 million less than in 2004). A similar trend was recorded in the euro area, where the unemployment rate reached 8.6 % in 2005, 0.3 percentage point less than in 2004 but still higher than in 2001 (7.9 %). The latest available figures show a further slight decrease to 7.9 % in May 2006 (equivalent to 11.5 million of unemployed persons), down from 8.7 % in May 2005. Although France's jobless rate fell to a three-year low of 8.8 % in May 2006, and in Germany the rate has gone down to 8.3 %, unemployment remains high in the large continental European economies.

Table 3

Employment rate and participation rate contribution to changes by gender and age groups

	Employment rate							
	EU-25				Euro area			
Rate in:	2005		2004		2005		2004	
	63.6		63.0		63.4		62.7	
	p.p. change in				p.p. change in			
	2001-05		2000-04		2001-05		2000-04	
	0.91	100%	0.83	100 %	1.40	100%	1.30	100 %
	due to shifts in employment rates of:							
Young	– 0.30	– 33 %	– 0.22	– 27 %	– 0.18	– 13%	– 0.15	– 12 %
Prime age	0.50	54 %	0.43	52 %	0.60	43%	0.61	47 %
Older	0.85	93 %	0.71	86 %	0.94	67%	0.74	57 %
MALE:	– 0.02	– 3 %	– 0.12	– 15 %	– 0.12	– 9%	– 0.09	– 7 %
Young	– 0.19	– 21 %	– 0.14	– 17 %	– 0.13	– 9%	– 0.10	– 8 %
Prime age	– 0.18	– 20 %	– 0.29	– 35 %	– 0.36	– 25%	– 0.34	– 26 %
Older	0.34	38 %	0.31	38 %	0.37	26%	0.35	27 %
FEMALE:	1.06	116 %	1.03	125 %	1.47	105%	1.29	99 %
Young	– 0.12	– 13 %	– 0.09	– 10 %	– 0.05	– 4%	– 0.05	– 4 %
Prime age	0.67	74 %	0.72	88 %	0.95	68%	0.95	73 %
Older	0.51	56 %	0.40	48 %	0.57	41%	0.39	30 %
	due to demographic effect:							
TOTAL:	– 0.20	– 22 %	– 0.15	– 18 %	– 0.01	– 1%	0.08	6 %
Young	– 0.11	– 12 %	– 0.13	– 16 %	– 0.14	– 10%	– 0.21	– 16 %
Prime age	– 0.36	– 39 %	– 0.26	– 31 %	0.00	0%	0.17	13 %
Older	0.27	30 %	0.24	29 %	0.13	9%	0.11	9 %
	due to interaction effect:							
	0.04	8 %	0.03	7 %	0.02	4%	0.02	1 %

	Participation rate							
	EU-25				Euro area			
Rate in:	2005		2004		2005		2004	
	70.0		69.5		69.8		69.1	
	p.p. change in				p.p. change in			
	2005-04		2000-04		2005-04		2000-04	
	0.49	100 %	0.93	100 %	0.64	100 %	1.53	100 %
	due to shifts in participation rates of:							
Young	– 0.02	– 3 %	– 0.23	– 25 %	0.01	2 %	– 0.12	– 8 %
Prime age	0.24	48 %	0.57	61 %	0.24	37 %	0.83	54 %
Older	0.26	54 %	0.72	77 %	0.34	53 %	0.74	48 %
MALE:	0.16	34 %	0.10	10 %	0.17	27 %	0.22	14 %
Young	0.00	0 %	– 0.11	– 12 %	0.02	3 %	– 0.04	– 3 %
Prime age	0.08	17 %	– 0.11	– 12 %	0.06	9 %	– 0.09	– 6 %
Older	0.08	17 %	0.31	33 %	0.10	15 %	0.35	23 %
FEMALE:	0.32	65 %	0.95	102 %	0.42	65 %	1.22	80 %
Young	– 0.02	– 3 %	– 0.13	– 14 %	0.00	– 1 %	– 0.08	– 5 %
Prime age	0.15	32 %	0.67	73 %	0.18	28 %	0.91	60 %
Older	0.18	37 %	0.40	43 %	0.24	38 %	0.39	26 %
	due to demographic effect:							
TOTAL:	0.00	1 %	– 0.16	– 17 %	0.06	9 %	0.06	4 %
Young	– 0.01	– 2 %	– 0.16	– 18 %	0.01	1 %	– 0.23	– 15 %
Prime age	0.01	2 %	– 0.26	– 28 %	0.11	17 %	0.19	12 %
Older	0.01	1 %	0.26	28 %	– 0.06	– 10 %	0.11	7 %
	due to interaction effect:							
	0.00	0 %	0.03	3 %	0.00	0 %	0.02	1 %

Source: Commission services.

Although the cross-country dispersion of national unemployment rates has continued to narrow (the standard deviation went down steadily from 4.2 in 2000 to 3 in 2005), the performance at national level remains quite different (see country tables in the statistical annex). Unemployment rates range from 4.3 % in Ireland to 16.4 % in the Slovak Republic and 17.7 % in Poland. In 2005 the unemployment rate declined in 13 Member States with Spain (-1.4 p.p.), Denmark (-0.7 p.p.) and Greece (-0.7 p.p.) recording the highest reduction in the EU-15, although in Spain and Greece unemployment rates remained high and above the EU-25 and euro area average. A substantial deterioration was registered in Portugal (+0.9 p.p.). For the EU-10 Member States, the trend towards a reduction from relatively high unemployment rates has accelerated in 2005, apart from Cyprus and Hungary where rates increased in 2005. Particularly sharp decrease in the unemployment rate was recorded in Lithuania, Estonia, Slovakia, Latvia and Poland.

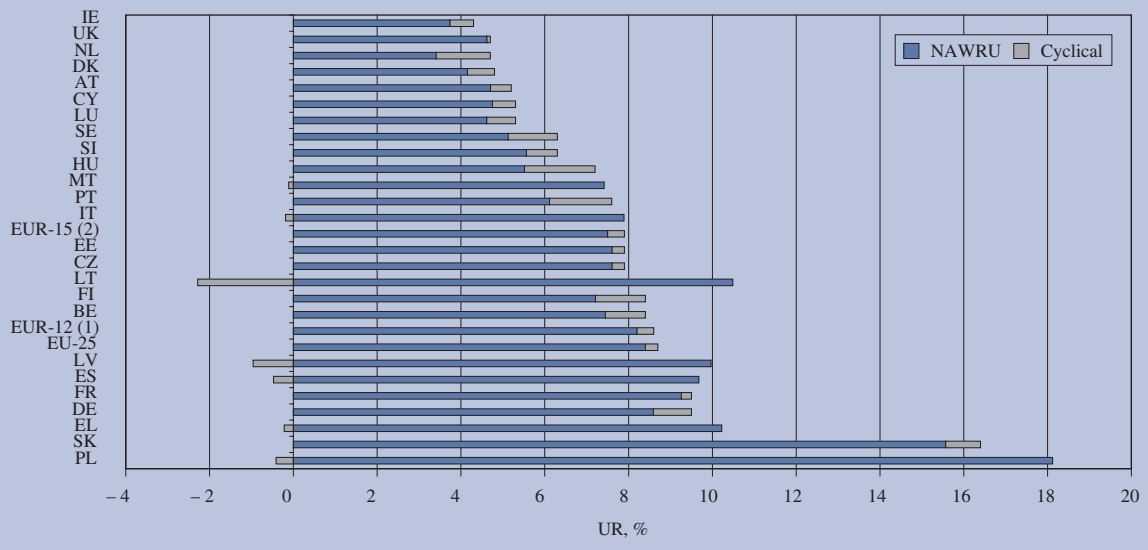
An indication of the structural nature of unemployment is the share of those out of work classified as long-term unemployed (without a job for 12 months or more), which increased again in 2005 (form 44.5 % to 45.5 % of the overall unemployed in the EU-25), after the slight decline recorded in 2004 (probably due to 'discouraged' workers leaving the labour market).

While it remains difficult to assess how much of the recent improvements in labour market performance is cyclical, there is increasing evidence that part of the improvement is structural, and related to reforms enacted in the past five to ten years. The introduction of more flexible working arrangements, the reduction of disincentives to work embedded in tax and benefit systems, a greater link with activation policies and a stronger reliance in ALMPs, the reduction – although moderate – of the tax burden on labour, especially for the low-skilled, and more generally, widespread wage moderation, are all factors that point to a structural improvement in the functioning of labour markets in Europe. DG ECFIN estimates of the NAIRU point to a further, although slight, reduction in the NAIRU for the euro area (8.2 % in 2005, compared to a peak of 9.5 % ten years before). However, these structural rates are still high, and without further reduction they represent a serious limitation to the speed of recovery. Indeed, according to recent DG ECFIN estimates, already at this juncture most of the remaining unemployment is structural in nature (see Graph 3).

Decomposing unemployment developments in their driving forces

Changes in the unemployment rates (for the age group 15-64) can be disaggregated into their main components,

Graph 3: **Estimates of structural (NAWRU) and cyclical unemployment rates**



Source: NAWRU: Commission services, DG ECFIN estimates.

that is changes in the working-age population, labour force (participation rate) and employment growth ([1]), in order to get a better understanding of the main driving forces behind the recent evolution of unemployment. The disaggregation presented in Table 4 clearly shows that the reduction in the unemployment rate in the EU-25 in 2005 was due to the increase in employment (1.6 percentage points), more than offsetting the increase in labour supply, that is the combined increase in both the size of the working-age population (+0.6 %) and the participation rate (+0.7 %).

The overall positive trend observed at the aggregate EU level masks quite diverging developments across Member States. Indeed, the decomposition also shows that in two of the biggest Member States, Italy and France, the slight reduction in the unemployment rate occurred in parallel with a reduction in participation rates (displaced workers and job-seekers became discouraged and left the labour market altogether), while in Germany the increase in employment did not keep pace with the increasing 'potential' labour supply (that is, the increase in the number of people of working age: 15-64 years) ([2]). This is an indication of both weak labour demand and probably some form of discouragement of labour supply in the latter country. In Austria, by contrast, the strong creation of new employment was not sufficient to absorb the increase in both the participation rate and the size of the working-age population, leading to a slight increase in the (harmonised) unemployment rate in 2005. A similar trend was recorded in Sweden ([3]).

It is apparent from the result of the decomposition described above that it is useful to consider all the different components involved when assessing labour market performance. The contrasting trends as regards developments in employment and unemployment rates in the euro area between 1994 and 2005 are clearly shown in Graph 4, which depicts the evolution in the number of employed (dark line) and unemployed persons (dotted line). The number of employed persons increased sharply since the mid-1990s and continued to grow even during the most recent economic slowdown. The numbers of unemployed persons (with scale presented in reverse order on the right-hand side, i.e. an upward sloping line means a fall in numbers of persons unemployed), also fell in the second half of the 1990s, but increased during 2001-04. In 2005, after the period of diverging trend, there is a return to a parallel movement with employment observed since the mid-1990s. The divergence during the economic slowdown occurred because the structural increase in the labour supply (mainly due to increased female participation) was faster than the creation of additional jobs.

2.2. Monitoring the remaining gap with the Lisbon employment targets

The weakness in employment growth over the first half of this decade and expectations of only a moderate recovery in the next two years suggest that it will be a challenge to fulfil the Lisbon employment targets.

Progress towards the Lisbon employment rate targets since 2000 is shown in Table 5. The overall employment rate in the EU-25 rose only by almost 1.5 percentage points since 2000 to reach 63.8 % in 2005. It needs to record an increase of the same size *each year* over the remaining five years to reach the target of 70 % in 2010. This, in turn, implies about 21 million additional jobs would need to be created – equivalent to an employment growth rate in the order of 2 % per year between 2005-2010. This is a growth rate by far above that recorded over the most recent period (2001-05) and above the historical average. The contribution provided by each Member State to the fulfilment of the Lisbon targets (which are targets set for the overall EU economy) varies substantially (see Graph 5 and Graph 6). There are only three countries (DK, SE, UK) which already exceed all three targets, while four countries stand out as being particularly far from the three targets (IT, EL, PL and MT).

Looking at the employment target for specific groups, the most feasible seems to be the one set for **females** (60 %). Since 2000 the employment rate of women has increased by almost 3 percentage points in the EU-25 (and

([1]) We have used the following calculation: U=(Popwa * Pr) – E, where U: unemployed persons, Popwa: working age population (15-64); Pr: participation rate; UR: unemployment rate; E: employment. This can be re-arranged as U/ (Popwa * Pr)=1-E/(Popwa * Pr) and (1-UR) = E /(Popwa * Pr). Thus, by taking the logarithm of the expression and differentiating it, we can obtain a decomposition that approximates the changes in the unemployment rate (in percentage points) as : dUR= dPopwa/Popwa + dPr/Pr - dE/E that is as the sum of the % change in the working age population and the participation rate minus the % change in employment.

([2]) Figures for Germany from different sources are inconsistent as, according to the labour force statistics, employment (age group 15-64) has grown by 2.3 % in 2005, paralleled by an increase in participation rate of 2.4 % while national account figures present a small reduction of employment (-0.2 %).

([3]) Please note that Swedish figures are still provisional and are not fully comparable with previous years as, from the second quarter of 2005 onwards, they are based on a renewed questionnaire and in particular, contrary to the past, students looking for a job and available to work are now considered unemployed according to the EU definitions. See Eurostat, Statistics in focus: Labour market latest trends, N. 20-2005.

Table 4

Decomposing changes in the unemployment rate in 2005

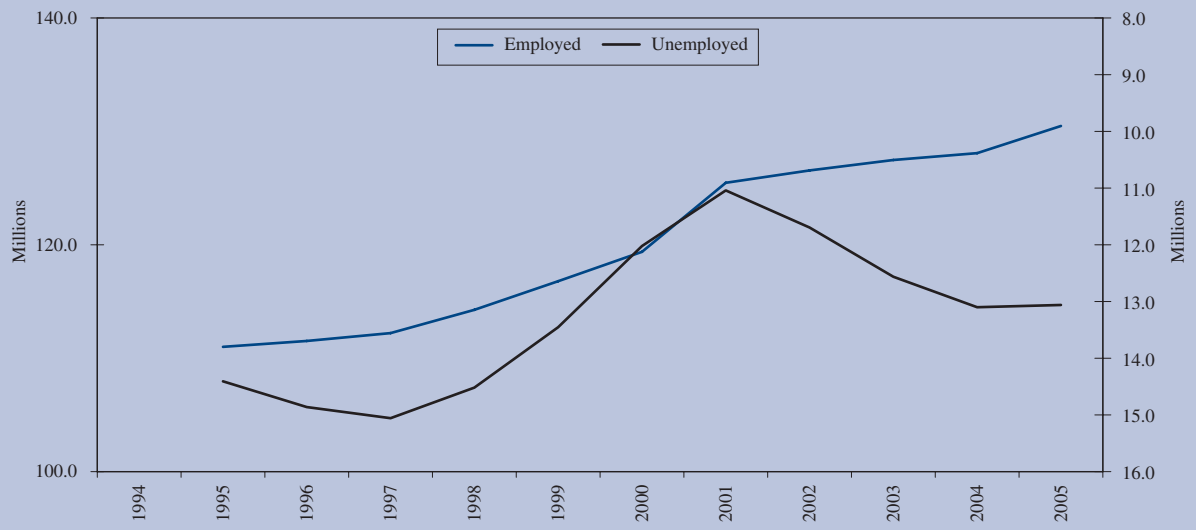
	Unemployment rate (age 15-64)				
	Rate in	Change since (age 15-64)	is equal to		
			% Change in active population	% Change in participation rate	% Change in employment
	2005	2004		+ plus	- minus
BE	8.5	0.1	0.8	1.3	2.1
DK	4.9	– 0.7	0.2	– 0.4	0.5
DE	11.3	0.5	0.5	2.4	2.3
EL	10.0	– 0.7	0.0	0.5	1.2
ES	9.2	– 1.8	1.8	1.5	5.4
FR	9.1	– 0.1	0.6	– 0.1	0.6
IE	4.4	– 0.2	2.5	1.9	4.6
IT	7.8	– 0.3	0.8	– 0.4	0.7
LU	4.9	– 0.2	1.7	1.4	3.2
NL	4.8	0.2	– 0.2	0.4	0.0
AT	5.2	0.2	0.6	1.6	1.9
PT	8.1	1.0	0.4	0.6	– 0.1
FI	8.5	– 0.4	0.3	0.6	1.4
SE	7.6	1.0	0.7	1.4	1.0
UK	4.8	0.1	0.4	0.1	0.5
Euro area	9.1	– 0.2	0.7	0.9	1.9
EU-15	8.3	– 0.1	0.7	0.8	1.6
CY	5.5	0.6	3.8	– 0.3	2.8
CZ	8.0	– 0.4	0.5	0.6	1.5
EE	8.1	– 1.8	0.0	0.2	2.3
HU	7.2	1.1	– 0.2	1.5	0.1
LT	8.4	– 3.1	0.5	– 1.1	2.9
LV	9.0	– 1.6	– 0.3	– 0.1	1.4
MT	7.2	0.1	0.6	– 0.2	0.3
PL	18.0	– 1.3	0.3	0.6	2.4
SK	16.3	– 2.0	0.9	– 1.1	2.2
SI	6.6	0.2	– 0.2	1.2	0.8
EU-25	9.1	– 0.2	0.6	0.7	1.6

Source: Commission services, based on Eurostats, LFS data.

four percentage points in the euro area) to reach 56.3 % in 2005. In 2005 the gap was only 3.7 p.p., which requires an average annual growth of only 1.6 % in 2006-2010 compared with an average rate of 2.2 % over the period 1998-2000 and 1.3 % more recently (2001-05). The female target is already achieved by nine Member States (DK, NL, AT, EE, FI, PT, SE, UK, SI). Women from younger generations show higher participation than women from older generations. This cohort effect, fostered by changes in cultural attitudes and by the increasing average level of female education, is bringing female employment closer to the Lisbon target.

The employment rate of **older workers** (those aged 55-64) across the EU-25, despite considerable recent improvements mainly related to pension reforms, is still a long way (42.5 % in 2005) off the 50 % target established by the Council of Stockholm in 2001. More than 6 million additional jobs would need to be created in the EU-25 between 2006-10 for those aged 55-64 in order to achieve the target. This would require an annual growth rate of employment in the order of 5.2 % per year, a rate that is close to, but higher than, that registered in the first half of the decade. The older workers target (50 %) is already exceeded by 8 Member States (Denmark, Ire-

Graph 4: **Employed and unemployed persons (age 15-64), Euro area**



Source: Commission services.

Table 5

Lisbon employment targets: required job performance

Lisbon Projections					Required		Pro memoria	
					2005-10		Employment growth	
		2000	2005	2010	New jobs	Annual employment growth	1998-2000	2001-05
Total (15-64)								
Employees (15-64)	(000)	185 534	196 329	217 376	21 047	2.1%	1.4%	0.9 %
Employment rate	(%)	62.2	63.8	70				
Population (15-64)	(000)	298 289	307 725	310 537				
Older workers (55-64)		**2000**	**2005**	**2010**	**New Jobs**	**Annual employment growth**		
Employees (55-64)	(000)	17 806	22 145	28 539	6 394	5.2%	1.8%	5.1%
Employment rate	(%)	36.4	42.5	50				
Population (55-64)	(000)	48 944	52 105	57 078				
Female		**2000**	**2005**	**2010**	**New Jobs**	**Annual employment growth**		
Employees (15-64)	(000)	80 124	85 879	92 963	7 084	1.6%	2.2%	1.3%
Employment rate	(%)	53.5	56.3	60				
Population (15-64)	(000)	149 811	153 619	154 939				

Source: Commission services, DG ECFIN calculation using Eurostat figures (Europop2004 demographic projections).

land, the United Kingdom, Finland, Portugal, Sweden, Cyprus and Estonia) while another two (Lithuania and Latvia) are already very close to it.

The road ahead to reach national employment rate targets for 2010

Seventeen Member States have set national employment targets in their National Reform Programmes (NRPs) for Growth and Jobs ([1]) – a new development in the strategy five years after its launch.

In order to identify what could be feasible national targets for the year 2010 under different employment performances, and to see whether and how these national targets would lead to the fulfilment of the overall EU-25 targets, **we have run a set of simulations.** Taking into account the most recent Eurostat demographic projections for the year 2010, we have calculated for each Member State what the national employment rates would be if the creation of additional jobs over the remaining 5 years (2006-10) were to continue at the same pace as registered over the most recent period (employment growth rate used in the simulation are reproduced in Table 6). For the EU-15, we consider 3 different periods:

1. the most recent (2001-04), featuring a low rate of employment (and for some countries even a negative growth rate) growth as a result of the economic slowdown;

2. the period of buoyant economic and employment growth (1997-2000);

3. the overall period 1997-2004, which averages a very strong performance in the first half with the period of slowdown.

For the new 10 Member States we used the employment growth rate in 2001-04 (setting the growth rate for Poland equal to +1, although it was actually negative), because figures in the previous period were either not available or strongly negative.

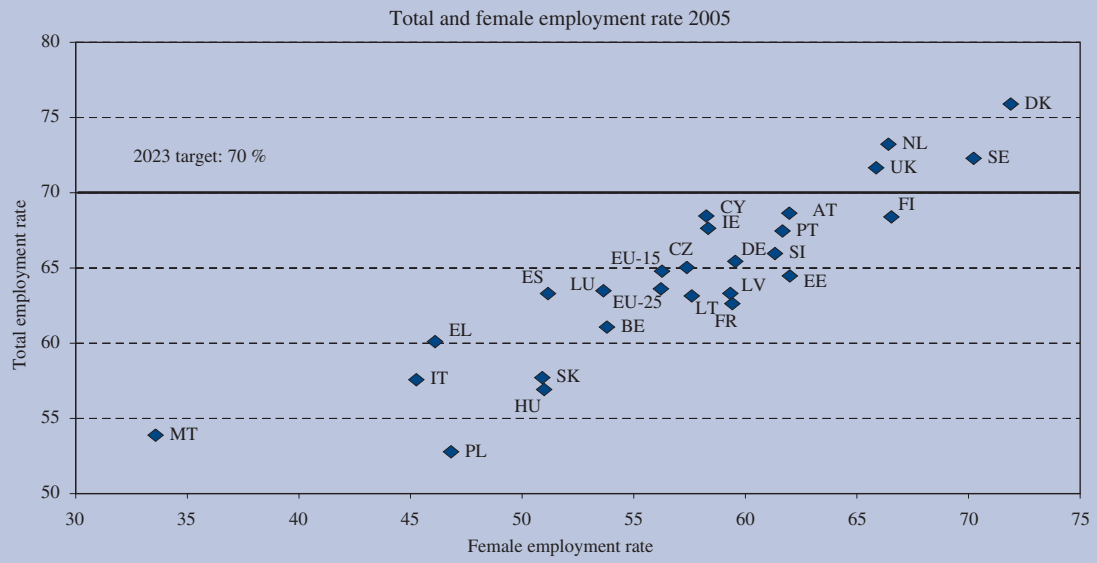
The results of the simulation for each country are presented in Table 7. It can be noticed that even if each country records employment growth equal to the high rates recorded in the period 1997-2000 (and during 2001-04 for the new Member States), this will translate into an overall employment rate below the 70 % target. Thus, if the overall target is to be achieved, some of the laggard countries should try to contribute substantially more than what has been done over the last 8-10 years. For the female target, the situation is much less problematic, as the 60 % target could be hit with a return to employment growth close to the average of the period 1997-2004. The result for the older worker deserves attention. Indeed, if the strong acceleration in the employment growth of older workers over the most recent period (2001-2004) is maintained over the remaining 5 years, the target will be achieved.

To sum up, the Lisbon employment targets remain very ambitious, especially in view of the fact that achieving the Lisbon strategy involves efforts both to improve labour market performance and to raise growth. This implies a need for a substantial acceleration in the medium-term labour productivity growth ([2]). While a strong economic recovery would help meet the Lisbon employment targets, on its own it would not suffice; additional labour market reforms, especially in some laggard countries, are also required to bridge the gap with the employment rate targets set by the European Councils in Lisbon and Stockholm.

([1]) The Commission on 12 April 2005 put forward its Communication on Integrated Guidelines for Growth and Jobs (2005-2008). The Integrated Guidelines reflect the new economic governance approach following the outcome of the Mid-Term Review of the Lisbon Strategy. The new set of BEPGs and EGs translates the Spring European Council conclusions on the vital strands of the new start of Lisbon into guidelines for economic and employment policies for the three-year period 2005-2008. According to the new Integrated Guideline No 16: 'Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion', policies should contribute to achieving an average employment rate for the European Union (EU) of 70 % overall, of at least 60 % for women and of 50 % for older workers (55 to 64), and to reduce unemployment and inactivity. Member States should set national employment rate targets for 2008 and 2010 (Integrated guideline No 16)'.

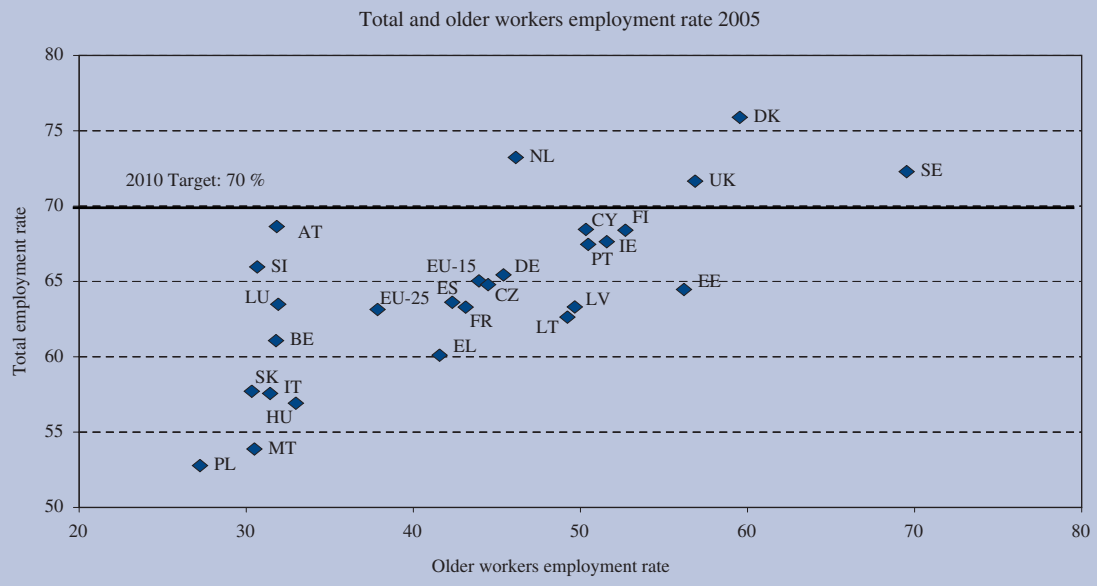
([2]) For a detailed analysis of the linkages between employment and productivity growth see European Commission (2004) 'Labour markets in the EU: an economic analysis of recent performance and prospects'; Chapter 4 in the EU Economy Review.

Graph 5: **Progress towards the Lisbon targets: total and female employment rate, 2005**



NB: EU objective 2010: 70 % for total employment rate, 60 % for female employment rate.
Source: Commission services.

Graph 6: **Progress towards the Lisbon targets: total and older workers employment rate, 2005**



NB: EU objective 2010: 70 % for total employment rate, 50 % for older workers employment rate.
Source: Commission services.

Table 6

Employment growth rate used in the simulation

AGE	Total			Female			Older (age 55-64)		
Country	1997-2004	1997-2000	2001-04	1997-2004	1997-2000	2001-04	1997-2004	1997-2000	2001-04
BE	1.1	2.1	0.7	1.9	3.4	1.4	1.1	2.1	0.7
DK	0.2	0.6	– 0.1	0.6	1.3	0.0	6.6	7.5	5.1
DE	0.0	1.0	– 1.0	0.7	1.7	– 0.5	– 0.1	– 0.5	1.3
EL	1.8	2.4	1.9	2.3	2.6	3.0	– 1.8	– 5.2	1.7
ES	4.4	5.1	3.7	6.0	6.7	5.5	4.2	2.8	4.6
FR	1.5	1.8	1.0	1.9	2.0	1.8	6.0	0.4	12.0
IE	4.5	7.4	2.3	5.6	8.9	3.1	7.1	8.1	5.9
IT	1.5	1.4	1.4	2.9	2.5	3.0	1.5	– 0.6	4.0
LU	1.5	2.3	0.4	2.9	4.1	1.3	3.8	6.3	5.7
NL	1.7	3.1	0.0	2.7	4.3	0.8	9.3	9.8	10.2
AT	0.6	1.0	0.2	1.0	1.1	0.9	2.0	2.5	2.2
PT	1.8	3.6	0.1	2.0	3.4	0.6	0.1	– 0.6	0.8
FI	1.6	3.3	– 0.1	1.7	3.3	0.2	9.0	7.2	8.8
SE	1.3	1.6	– 0.2	1.3	1.7	– 0.2	5.8	5.6	4.7
UK	0.6	0.5	0.6	1.1	1.4	0.8	4.7	3.6	5.8
EU-15	1.3	1.8	0.7	1.9	2.4	1.3	3.1	1.6	5.2
CY	3.0	3.0	3.0	3.4	3.4	3.4	4.6	4.6	4.6
CZ	0.1	0.1	0.1	– 0.2	– 0.2	– 0.2	10.0	10.0	10.0
EE	0.9	0.9	0.9	1.3	1.3	1.3	1.4	1.4	1.4
HU	0.2	0.2	0.2	0.5	0.5	0.5	11.5	11.5	11.5
LT	2.2	2.2	2.2	0.9	0.9	0.9	4.8	4.8	4.8
LV	1.8	1.8	1.8	1.3	1.3	1.3	6.1	6.1	6.1
MT	0.2	0.2	0.2	0.2	0.2	0.2	5.7	5.7	5.7
PL	– 0.9	– 0.9	– 0.9	– 0.9	– 0.9	– 0.9	1.9	1.9	1.9
SK	0.7	0.7	0.7	– 0.1	– 0.1	– 0.1	8.9	8.9	8.9
SI	0.9	0.9	0.9	1.1	1.1	1.1	6.2	6.2	6.2

Source: Commission services, DG ECFIN.

Table 7

Employment rates in 2010, alternative simulation

Target:	Overall Employment rate	Rates in 2010 using employment growth rate in:			Employment rate targets set by Member States	
Country	2005	1997-2004	1997-2000	2001-04	(from NRPs)	
BE	61.6	63.4	66.8	62.2	70	
DK	76.0	76.3	77.5	75.1	50 000/60 000 extra jobs	
DE	64.3	64.2	67.3	60.9		
EL	60.2	62.2	63.8	62.4	64.1	(projections)
ES	67.4	76.9	79.8	74.4	66	
FR	64.0	65.9	66.7	64.1		
IE	69.7	82.2	94.0	73.6		
IT	58.1	62.2	61.9	61.9		
LU	61.6	62.3	64.7	58.7		
NL	73.1	77.7	83.4	71.6		
AT	69.1	70.0	71.5	68.7		
PT	67.8	73.6	80.5	67.6	70	
FI	68.6	72.9	79.3	67.2	75	(2011)
SE	72.9	75.8	77.0	70.3	80	(age 20-64)
UK	72.0	70.5	70.1	70.5	80	(national definition)
EU-15	65.7	68.3	70.2	66.2		
CY	71.5	71.3	71.3	71.3	71	
CZ	65.2	65.8	65.8	65.8	66.4	
EE	64.5	68.1	68.1	68.1	67.2	(projections)
HU	56.8	57.2	57.2	57.2	63	
LT	63.0	70.2	70.2	70.2	68.8	
LV	63.1	70.9	70.9	70.9	67	
MT	54.4	50.7	50.7	50.7	57	
PL	53.0	48.7	48.7	48.7		
SK	58.3	58.8	58.8	58.8	yearly increase	1-2 pp
SI	65.8	68.7	68.7	68.7	67	(2008)
EU-25	64.3	66.2	67.8	64.4		

Target:	Employment rate of females	Rates in 2010 using employment growth rate in:			Employment rate targets set by Member States	
Country	2005	1997-2004	1997-2000	2001-04	(from NRPs)	
BE	52.7	57.5	62.5	55.9	60	asap
DK	72.0	74.2	77.1	71.4		
DE	58.5	61.3	65.0	57.1		
EL	46.1	50.8	51.5	52.6	51	
ES	54.2	71.2	74.1	69.0	57	
FR	58.5	63.0	63.4	62.3		
IE	60.0	78.7	94.5	67.8		
IT	45.5	54.2	52.9	54.5		
LU	50.7	56.6	60.5	51.6		
NL	66.5	76.1	83.6	68.1	65	>12 hours week
AT	62.3	65.7	65.9	65.1		
PT	61.9	69.4	75.6	64.1	63	(2008)

(Continued on the next page)

Table 7 (continued)

FI	66.7	73.1	79.9	66.9		
SE	70.8	74.6	76.2	68.4		
UK	66.3	67.9	69.0	66.8		
EU-15	57.8	64.1	66.2	61.8		
CY	60.8	65.2	65.2	65.2	63	
CZ	56.4	56.4	56.4	56.4	57.6	(2008)
EE	62.0	68.5	68.5	68.5	65	
HU	50.8	52.5	52.5	52.5	57	
LT	59.7	63.4	63.4	63.4	61	
LV	59.1	65.9	65.9	65.9	62	
MT	33.8	32.0	32.0	32.0	41	
PL	46.9	42.9	42.9	42.9		
SK	51.3	49.9	49.9	49.9		
SI	61.0	65.6	65.6	65.6	2pp >EU-15	(2008)
EU-25	56.6	61.6	63.4	63.4		

Target:	**Employment rate of older workers**	**Rates in 2010 using employment growth rate in:**			**Employment rate targets set by Member States**	
Country	**2005**	**1997-2004**	**1997-2000**	**2001-04**	**(from NRPs)**	
BE	29.6	27.0	28.8	26.4	50	asap
DK	60.8	84.8	89.1	77.7		
DE	41.4	43.6	42.4	47.2		
EL	41.8	32.9	26.6	40.5		
ES	45.6	50.3	46.4	51.5		
FR	39.8	45.5	32.9	63.4		
IE	54.0	68.0	72.2	63.7		
IT	31.6	33.1	29.1	38.2		
LU	29.9	32.3	37.1	36.0		
NL	47.5	70.8	72.8	74.3	40	>12 hours week
AT	31.1	36.0	37.2	36.5		
PT	52.5	47.1	45.4	49.3	50	
FI	54.8	78.0	70.7	77.3		
SE	71.1	97.5	96.0	91.2		
UK	58.1	70.9	66.3	75.2		
EU-15	44.1	49.1	44.8	55.3		
CY	52.8	51.0	51.0	56.1	53	
CZ	46.1	57.0	44.0	72.7	47.5	(2008)
EE	55.7	49.2	38.5	57.1	54.8	(2008)
HU	33.2	50.2	43.9	56.2	37	
LT	49.4	59.9	61.6	64.5	50	
LV	49.1	67.7	63.9	71.9	50	
MT	30.5	31.2	23.4	29.0	35	
PL	28.7	17.2	12.3	23.9		
SK	31.7	30.8	29.1	40.6		
SI	30.5	33.5	26.9	37.1	35	(2008)
EU-25	42.7	46.4	41.8	52.9		

Source: Commission services, DG ECFIN calculation.

3. Employment developments and economic growth

3.1. The responsiveness of employment to economic growth

The elasticity of employment to growth has increased

Employment growth usually lags the pick-up in aggregate demand, and the lags are typically higher when the recovery in activity is sluggish or uncertain. This seems to have been the case for the last two years. In 2004, the pace of GDP growth averaged 2 % in the euro area and 2.4 % in the EU for the year as a whole ([1]), (although with a deceleration in the second half of the year). For some quarters, employment performance at the EU level was lagging improvement in the economic growth and the risk of a 'jobless recovery' was raised.

There are a couple of possible explanations as to why that performance was rather subdued. One explanation is that the more tempered response of employment in the downturn has led to a similarly more nuanced response in the first phase of the recovery ([2]). Firms may have been 'hoarding' labour to try to avoid hiring and firing costs. Over the first part of the cyclical upswing, that labour hoarding will have unwound as demand conditions improved and this will have been reflected in the recovery in labour productivity. The other explanation, which is to some extent related to the first one, is that this initial underperformance can at least partly be attributed to the high uncertainty surrounding the strength of the economic recovery.

After the pick-up in 2004, the pace of output growth slowed down again in the first and the last quarters of 2005 and the annual GDP growth was lower than in 2004. Yet, employment growth gained further, although limited, speed. There are a number of possible explanations for the apparently diverging trend. The most likely seems that, believing that the easing in GDP growth in 2005 would prove temporary, firms have adjusted by means of a slight decline in the average hours worked per worker. The generalisation of more flexible working time arrangements and the increase in part-time jobs may have made it possible to react to the moderate and temporary softening in output growth in some quarters of 2005 through a less intensive use of the existing workforce. The creation of new jobs during sluggish economic growth is also explained by the growing relevance of the services sector, which has a high employment content of each unit of value added.

The evolution of the job-intensity of growth can be better observed looking at the elasticity of employment to GDP growth (see Graph 7). Over the previous boom period (1998-2001), the (apparent) elasticity of employment to GDP growth increased quite substantially. Employment was also quite resilient to the economic slowdown of 2001-2003 when annual employment growth recorded only a moderate softening compared to past cyclical episodes. After the drop to lower levels in 2003-2004, in 2005 there was a rebound. In terms of average hours per worker, the relative drop since the start of the slowdown in 2001 was more accentuated, confirming the hypothesis of substantial labour hoarding, compensated by a reduction in the intensity of use of the workforce (more short-time working and reduction of overtime, reflected in lower number of hours worked). Indeed, a recovery in the intensity of hours worked started already in late 2002 and has continued until 2005.

The apparent resilience observed in the elasticity of employment to GDP growth can partly be attributed to the

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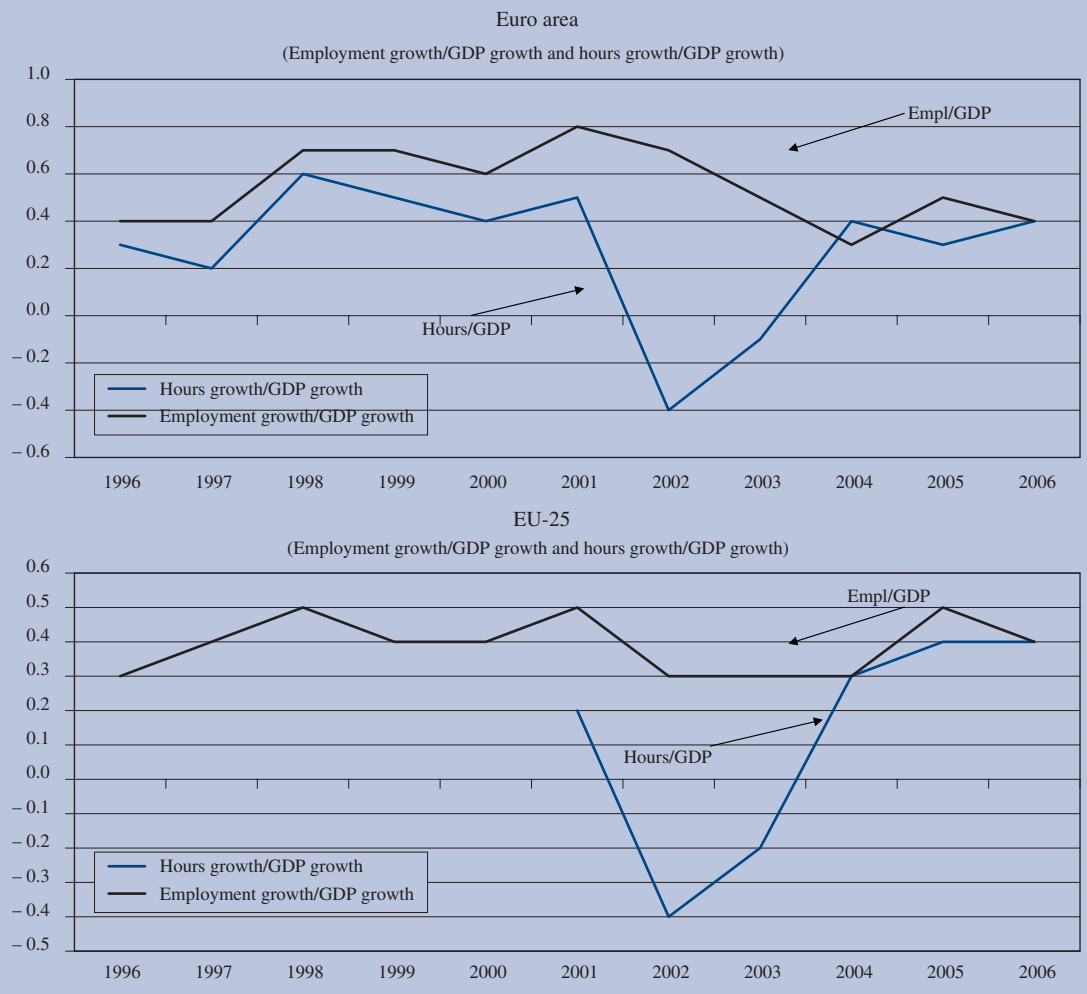
([1]) For a detailed analysis of past trends and future developments see DG ECFIN Economic Forecasts-Spring 2006. http://europa.eu.int/comm/economy_finance/publications/european_economy/2006/ee206en.pdf .

([2]) The subdued response of the job creation to the 2004 recovery may to some extent have been an effect of the small downward adjustment of employment during the previous slowdown. For a detailed analysis of the risk of jobless growth in Europe see European Commission (2005) 'Labour market and wage developments in 2004, with special focus on the risk of jobless growth' in European Economy Special Report No 3, Brussels.

Graph 7: **Job-intensity of growth**



Source: Commission services.

nature of the recent economic slowdown, which has been rather prolonged but not very sharp. It may also, however, be at least partly the result of structural change in the labour market. Some observers attribute the atypically resilient employment performance to a sort of short-term trade-off effect arising from labour market reforms focused on better integrating low-skilled (and low-productivity) workers into the economy. However, it is too soon to make a proper assessment of the impact of recent reforms on the overall behaviour of labour market and productivity growth.

Diverging developments across Member States

The cyclical recovery of employment at the aggregate EU level masks diverging developments across Member States. This is the result of two factors that are difficult to disentangle:

- Member States undergo cyclical swings of different length and depth; and,
- the performance of labour markets differs even under the same cyclical conditions, due to different structural features.

Looking at country performances, only Belgium, Spain, Ireland, Luxembourg and Finland (see Table 8) display a job-intensity of growth close to the high values recorded over the previous expansionary period (1996-

2000). In Germany, in 2005 there was a drop in both employment (-0.2 %) and average hours worked per employee (-0.4) that, notwithstanding the pick-up in productivity, was associated to lacklustre GDP growth of 0.9 %. In France, there was no reduction in labour utilisation, as the fall in employment rate was counterbalanced by a positive demographic development (an increase in the working-age population). The drop in productivity led to a substantial reduction in GDP growth (1.4 % compared to 2.3 % in 2004).

Table 8

Job-intensity of growth (elasticity of employment to growth) (1)

	Previous slowdown	Annual average			Spring forecast		
	1991-1993	1991-1995	1996-2000	2001-04	2005	2006	2007
BE	0.3	0.3	0.4	0.4	0.7	0.4	0.4
CZ			– 0.4	0.2	0.1	0.1	0.1
DK	– 0.3	– 0.1	0.4	– 0.2	0.2	0.1	0.1
DE			0.3	– 1.1	– 0.2	0.2	0.3
EE			– 3.1	0.1	0.2	0.1	0.1
EL	0.2	0.4	0.2	0.2	0.4	0.4	0.4
ES	0.6	0.4	0.9	0.9	1.0	0.9	0.8
FR	0.3	0.3	0.5	0.4	0.2	0.2	0.3
IE	0.2	0.3	0.6	0.5	1.0	0.6	0.5
IT	1.2	0.6	0.6	11.7	– 5.6	0.4	0.4
CY			0.3	0.5	0.4	0.4	0.4
LV	0.3	1.6	– 0.2	0.2	0.2	0.1	0.1
LT	0.0	0.0	0.1	0.1	0.3	0.1	0.1
LU	0.8	1.0	0.8	1.1	0.7	0.7	0.7
HU			0.2	0.1	0.0	0.0	0.1
MT			0.2	1.6	0.6	0.2	0.3
NL	0.7	0.6	0.6	2.8	– 0.3	0.5	0.4
AT	– 0.3	– 0.2	0.4	0.2	0.3	0.2	0.4
PL			– 0.1	– 1.0	0.7	0.5	0.4
PT	0.0	– 0.2	0.5	0.5	0.1	0.2	0.2
SI			– 0.1	0.2	0.2	0.1	0.1
SK			– 0.5	0.1	0.4	0.2	0.1
FI	3.1	1.9	0.5	0.3	0.8	0.4	0.3
SE	2.6	1.6	0.1	0.4	0.3	0.5	0.3
UK	– 1.7	– 0.9	0.4	0.4	0.5	0.2	0.2
US	1.9	1.4	0.5	0.1	0.5	0.4	0.2
JP	1.1	0.7	1.0	– 3.0	0.2	0.1	0.1
Euro area			0.5	0.6	0.5	0.4	0.5
EU-25			0.4	0.4	0.5	0.4	0.4
EU-15			0.5	0.5	0.5	0.4	0.4

(1) Data are from national accounts statistics and Commission's forecasts.

Source: Commission services, DG ECFIN calculation based on AMECO and Spring 2005 forecasts.

3.2. The contribution of employment and labour productivity to GDP growth

The temporary slowdown in annual output growth in 2005 has not been matched by a slowdown in annual employment growth. The flip side of this employment recovery is the slowdown in labour productivity (measures in terms of hours worked), from 1.7 % in 2004 to 1 % in 2005 in the EU-25.

The relative contribution to GDP growth of its two main components, labour productivity and labour utilisation, can be assessed using the standard accounting framework ([1]).

GDP = Labour productivity x Labour utilisation

or

$$GDP = \frac{GDP}{Hours} \times \left(\frac{Hours}{Employment} \times \frac{Employment}{Working\ Age\ Pop.} \times \frac{Working\ Age\ Pop.}{Population} \right) \times Population$$

The level of GDP is given by the product of labour productivity (GDP per hour worked) by the different components of labour utilisation, that is average hours worked per person, the employment rate, the share of working-age population and the population. GDP growth is (roughly) equivalent to the sum of the growth rates of these variables. This simple accounting rule is reproduced in Table 9 and Table 8. The decomposition confirms that in 2005, the slowdown in the GDP growth rate in the EU-25 is mostly due to the slowdown in productivity growth (GDP per hour worked was close to 0.9 % in the euro area after having increased by more than 1.3 % in 2004).

In most euro area countries, labour productivity growth was lower in 2005 than in 2004 (only in Germany and Portugal was it slightly higher). Overall, all Member States, with the exception of Germany and Italy, registered an increase in labour utilisation. However, the contribution of labour utilisation to GDP growth was less relevant than the employment contribution because of the new (structural) reduction in average hours per worker after the pick-up in 2004 ([2]), and also because the demographic trend provided a less positive contribution to growth. The reduction in the average hours per worker is paralleled by a further increase in the share of part-time work (from 15.8 % in 2000 to 17.2 % in 2004 and 17.9 % in 2005 in the EU-25).

For the EU-10 Member States, labour productivity growth recorded a strong deceleration, from 4.4 % in 2004 to 2.6 % in 2005, due particularly to a sharp fall in Poland (from 4.2 % in 2004 to only 0.9 % in 2005), but also to declines in Latvia, Lithuania, Hungary and Slovenia.

Looking at the recent productivity trends in the EU, it appears highly likely that a great deal of the resurgence observed in 2004 was of a cyclical nature, the result of companies shedding labour when demand was weakening. Firms were faced with uncertainty regarding both current economic growth and demand for their products and were therefore rather reluctant to hire workers. This is a typical short-term behaviour of firms, which tend to respond to shifts in demand by limiting the adjustment to a change in the intensity with which they use their labour and capital, instead of a costly modification of the overall amount of productive factors. As the signals of the recovery consolidate, labour demand increases follow the initial increase in productivity and profit margins.

To sum up, as typically occurs during the early stages of recovery, productivity was the dominant engine of growth in output during 2004, but was much less dynamic in 2005. This is the flip side of a recovery in employment growth, within a framework of still subdued GDP growth. A similar pattern can be observed in the US, where the strong growth in 2004 (4.5 %) was entirely due to increase in productivity and in population, while the labour utilisation was stagnating as it was in the EU, but this situation was partly reversed in 2005, as the recovery started to consolidate.

To conclude this section, it is worth looking also at the contribution of demographic trends (both in terms of the dynamics of the overall size of population and the share of working-age population) to growth. Figures in Table 9 and Table 10 clearly show that the positive contribution of an increasing population in the US is twice as much as in the EU in 2005 and broadly compensates for the slight decrease in the share of working age population. Demographic trends have been an important factor in the differing relative performance of the EU versus the US over the last decade, and are projected to be even more relevant in the coming decades given the faster pace of ageing in Europe.

([1]) For a similar analysis and an assessment of the medium-term prospects see Goldman-Sachs Global Economics paper No 121, January 2005.

([2]) Over the period 2001-04, there was a cyclical reduction in per capita hours worked that played the role of buffer in the presence of labour hoarding. This added up to the trend decline in average hours worked that reflects both the increased participation of women, who are more likely to work part-time and persons choosing more leisure time as real income rose.

Table 9

GDP growth and its sources in 2005

	GDP growth in 2005	Due to growth in: productivity (GDP/hour)	Labour utilisation of which:	Hours worked per employee	Employment rate	Share of working age population	Population	GDP per capita growth in 2005
	1 = 2+3	2	3 = 4+5+6+7	4	5	6	7	8 = 1-7
BE	1.2	0.9	0.3	– 0.6	0.4	0.1	0.3	0.9
CZ	6.0	4.8	1.1	0.2	0.9	– 0.3	0.2	5.7
DK	3.1	1.5	1.5	0.9	0.6	– 0.1	0.1	2.9
DE	1.0	1.6	– 0.6	– 0.4	– 0.2	0.0	0.0	1.0
EE	9.8	7.1	2.5	0.5	1.3	0.4	0.2	9.5
EL	3.7	2.0	1.6	0.2	1.1	0.1	0.2	3.5
ES	3.4	0.5	2.9	– 0.6	2.0	0.1	1.4	2.0
FR	1.2	1.0	0.2	0.0	– 0.1	– 0.1	0.5	0.6
IE	4.7	0.6	4.0	– 0.7	2.2	0.3	2.2	2.5
IT	0.0	0.4	– 0.4	– 0.6	0.0	– 0.4	0.6	– 0.6
CY	3.8	2.2	1.5	0.0	– 1.0	0.0	2.5	1.3
LV	10.2	8.0	2.0	0.5	2.0	0.4	– 0.8	11.0
LT	7.5	1.9	5.7	2.8	3.6	0.0	– 0.6	8.1
LU	4.0	1.1	2.9	0.0	2.2	0.0	0.7	3.3
HU	3.6	3.8	– 0.2	– 0.1	0.1	0.1	– 0.2	3.8
MT	2.5	4.0	– 1.4	– 3.0	0.0	0.9	0.7	1.8
NL	1.1	1.3	– 0.2	0.1	– 0.4	– 0.1	0.2	0.9
AT	1.9	1.3	0.6	0.0	– 0.3	0.3	0.6	1.3
PL	3.2	0.9	2.3	0.0	1.9	0.5	0.0	3.3
PT	0.3	0.5	– 0.1	– 0.2	– 0.5	– 0.1	0.6	– 0.3
SI	3.9	2.1	1.7	1.0	0.6	0.0	0.2	3.7
SK	6.0	2.8	3.1	1.0	1.9	0.2	0.1	5.9
FI	2.1	0.4	1.7	0.0	1.5	– 0.1	0.3	1.7
SE	2.7	2.2	0.5	– 0.2	0.1	0.2	0.4	2.3
UK	1.8	1.4	0.4	– 0.6	0.1	0.3	0.6	1.2
US	3.5	2.1	1.4	– 0.4	0.9	– 0.1	0.9	2.6
Euro area	1.3	0.9	0.4	– 0.3	0.2	– 0.1	0.5	0.8
EU-25	1.6	0.9	0.7	– 0.2	0.4	0.0	0.4	1.2
EUR-15	1.5	1.1	0.4	– 0.3	0.2	0.0	0.5	0.9
EU-10	4.5	2.5	1.9	0.2	1.5	0.3	0.0	4.5

Source: Commission services.

3.3. Employment prospects in coming years

Business and consumer expectations and DG ECFIN forecasts point to better but still slow employment prospects. Since the trough in 2003, survey measures of employment intentions and household perceptions of labour market conditions have improved significantly. According to the latest *Business and Consumer Survey* results, in April 2006, the overall 'economic sentiment' index rose to the highest level for five years and industry and service sectors were more optimistic about future employment developments (see Graph 8). Upbeat purchasing managers' indices (PMIs) in May also indicated that euro area manufacturing employment growth is accelerating. Yet, in both March and April 2006, consumers had a slightly less optimistic view of unemployment developments compared with previous months ([1]).

([1]) http://europa.eu.int/comm/economy_finance/indicators/business_consumer_surveys/2005/bcs0405_en.pdf

Table 10

GDP growth and its sources 1997-2004

	GDP growth in 2001- 2004	Due to growth in:						GDP per capita growth in 2001-2004
		Productivity GDP/hour)	Labour utilisation	Hours worked per employee	Employment rate	Share of Working age population	Population	
			of which:					
	1 = 2+3	2	3 = 4+5+6+7	4	5	6	7	8 = 1-7
BE	1.5	1.4	0.1	– 0.3	0.0	0.0	0.4	1.1
CZ	3.0	4.2	– 1.1	– 1.3	– 0.1	0.4	– 0.2	3.2
DK	0.9	1.3	– 0.3	– 0.2	– 0.2	– 0.2	0.3	0.6
DE	0.7	1.3	– 0.7	– 0.5	0.0	– 0.3	0.1	0.6
EE	7.1	6.0	1.0	0.1	0.9	0.4	– 0.4	7.4
EL	4.6	3.8	0.8	– 0.2	0.7	– 0.1	0.3	4.3
ES	3.1	0.6	2.4	– 0.3	1.1	0.1	1.5	1.6
FR	1.6	2.0	– 0.3	– 1.0	0.0	0.0	0.6	1.0
IE	5.3	3.6	1.6	– 0.8	0.4	0.4	1.7	3.6
IT	0.8	0.0	0.8	– 0.6	1.2	– 0.3	0.5	0.3
CY	3.0	– 0.4	3.5	2.0	– 1.0	0.9	1.6	1.4
LV	7.6	6.5	1.0	– 0.6	1.8	0.5	– 0.6	8.2
LT	7.7	7.4	0.3	– 0.4	0.6	0.5	– 0.5	8.1
LU	3.1	1.2	1.8	– 1.2	2.1	0.0	0.8	2.3
HU	4.2	4.8	– 0.6	– 0.8	0.3	0.2	– 0.3	4.4
MT	– 0.6	– 0.7	– 0.1	– 0.5	– 0.8	0.4	0.7	– 1.3
NL	0.9	1.1	– 0.2	– 0.3	– 0.3	– 0.1	0.6	0.3
AT	1.4	1.2	0.2	0.1	– 0.5	0.2	0.5	0.9
PL	2.9	4.4	– 1.4	– 0.1	– 1.6	0.5	– 0.2	3.1
PT	0.7	0.2	0.5	0.0	– 0.1	– 0.1	0.7	0.0
SI	3.2	4.0	– 0.7	– 1.2	0.3	0.1	0.1	3.1
SK	4.6	5.3	– 0.7	– 1.0	– 0.3	0.7	– 0.1	4.7
FI	2.4	2.1	0.2	– 0.5	0.6	– 0.1	0.2	2.1
SE	2.1	2.5	– 0.3	– 0.6	– 0.3	0.3	0.3	1.8
UK	2.5	2.1	0.5	– 0.5	0.2	0.3	0.5	2.0
US	2.3	2.8	– 0.5	– 0.9	– 0.8	0.3	1.0	1.3
JP	1.1	2.1	– 1.0	– 0.4	– 0.2	– 0.5	0.1	1.0
Euro area	1.4	1.1	0.3	– 0.4	0.4	– 0.1	0.6	0.8
EU-25	1.7	1.6	0.1	– 0.5	0.2	0.0	0.4	1.3
EU-15	1.6	1.3	0.3	– 0.5	0.3	– 0.1	0.5	1.0
EU-10	3.5	4.5	– 0.9	– 0.5	– 0.7	0.5	– 0.2	

	GDP growth in 1997- 2000	Due to growth in:						GDP per capita growth in 1997-2000
		Productivity (GDP/hour)	Labour utilisation	Hours worked per employee	Employment rate	Share of Working age population	Population	
			of which:					
	1 = 2+3	2	3 = 4+5+6+7	4	5	6	7	8 = 1-7
BE	3.0	1.6	1.5	0.1	1.2	– 0.2	0.2	2.8
CZ	0.8	2.2	– 1.3	0.3	– 2.0	0.5	– 0.1	0.9
DK	2.9	0.9	2.0	1.0	0.9	– 0.2	0.4	2.5
DE	2.3	1.9	0.3	– 0.8	1.1	– 0.1	0.1	2.2
EE	5.9				– 1.5	0.4	– 0.8	6.7
EL	3.7	2.6	1.1	0.3	0.2	0.2	0.5	3.2
ES	4.5	0.0	4.5	0.1	3.9	0.1	0.5	4.0
FR	3.2	2.6	0.7	– 1.0	1.3	– 0.1	0.4	2.8
IE	10.0	5.7	4.2	– 2.0	4.3	0.8	1.2	8.9
IT	2.2	1.5	0.8	– 0.3	1.4	– 0.3	0.0	2.2
CY	4.3				– 0.3	0.7	1.2	3.1
LV	5.8				0.2	0.6	– 0.9	6.7
LT	4.1				– 1.0	0.1	– 0.7	4.8

(Continued on the next page)

Table 10 (continued)

LU	7.3	2.9	4.3	– 0.2	3.3	– 0.1	1.3	6.0
HU	4.7	2.7	2.0	0.4	1.7	0.2	– 0.2	4.9
MT	4.7				– 0.7	0.4	0.6	4.0
NL	4.2	1.9	2.3	– 0.4	2.2	– 0.2	0.6	3.6
AT	3.0	2.3	0.7	– 0.5	0.8	0.2	0.2	2.9
PL	5.2				– 1.3	0.7	– 0.1	5.3
PT	4.2	3.1	1.1	– 0.9	1.5	0.1	0.4	3.8
SI	4.6	4.6	0.0	0.0	– 0.2	0.2	0.0	4.6
SK	3.1	5.1	– 1.9	– 0.4	– 2.4	0.8	0.1	3.0
FI	5.0	2.8	2.2	– 0.3	2.1	0.1	0.2	4.8
SE	3.7	2.7	1.0	– 0.2	0.9	0.2	0.1	3.6
UK	3.4	2.5	0.8	– 0.5	0.9	0.2	0.3	3.1
US	4.2	2.1	2.1	– 0.1	0.8	0.3	1.2	3.1
JP	0.6	1.7	– 1.1	– 0.9	0.1	– 0.5	0.2	0.4
Euro area	3.0	1.7	1.3	– 0.5	1.6	– 0.1	0.3	2.8
EU-25	3.1				1.1	0.1	0.2	2.9
EU-15	3.1	1.9	1.2	– 0.5	1.5	0.0	0.3	2.8
EU-10	4.2				– 1.1	0.6	– 0.2	

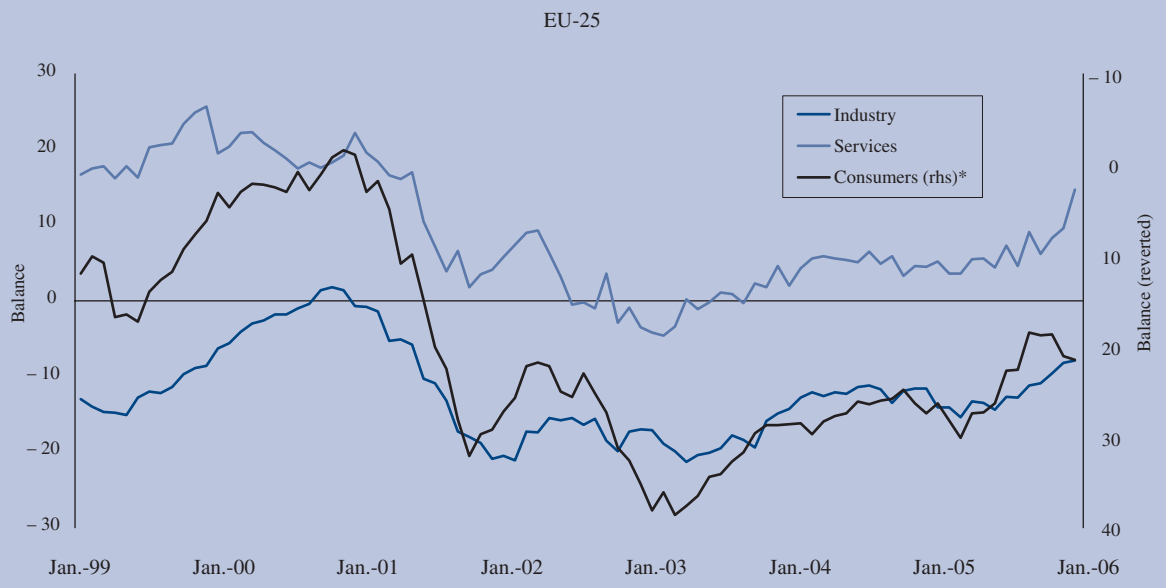
Source: Commission services.

Looking forward, the latest (spring 2006) Commission Economic Forecasts (see Table 11) point to a further acceleration in employment growth, to 0.9 % in 2006, in both the EU-25 and the euro area, supported by the strengthening of output growth in most Member States ([1]). The EU as a whole is expected to create 3½ million new jobs over the period 2006-07 (2.4 million of which will be in the euro area), in addition to the nearly 3 million created in the previous two years. The unemployment rate is projected to fall from a peak of 9 % in 2004 to 8.2 % in 2007 in the EU-25 (but only from 8.4 % to 8.3 % in the euro area). However, even after these improvements, unemployment will remain a severe economic and social problem, a manifestation of the still poor labour market performance in many Member States.

The overall pace of employment growth in the EU is expected to accelerate somewhat, especially in the services sector, although it is foreseen to remain below 1 % and below the brisker trend rates observed in late 1990s even in 2007. Compared to October 2005, DG ECFIN employment forecasts have recently (May 2006) been revised slightly downwards.

([1]) According to the flash estimate for the first quarter of 2006 recently released by Eurostat (see Eurostat Press release, 11 May 2006) the euro area and the EU-25 GDP growth rate was 2 % and 2.2 % respectively compared to the first quarter of 2005 (+0.6 over the previous quarter), in acceleration compared to the previous 2-3 quarters.

Graph 8: **Employment and unemployment expectations; business and consumer surveys**



* Unemployment expectations, reverted scale
Source: Commission services.

Table 11

Commission's forecasts (autumn 2005 and spring 2006)

	Total employment (percentage change on preceding year)				Number of unemployed (as a percentage of civilian labour force)			
	2006		2007		2006		2007	
	XI-2005	IV-2006	XI-2005	IV-2006	XI-2005	IV-2006	XI-2005	IV-2006
BE	0.6	0.9	0.7	0.9	7.9	8.2	7.8	8.0
DE	0.5	0.3	0.4	0.3	9.3	9.4	9.1	9.2
EL	1.3	1.3	1.3	1.3	10.0	9.7	9.7	9.4
ES	2.4	2.7	2.2	2.2	8.5	8.7	8.1	8.3
FR	0.5	0.4	0.9	0.6	9.3	9.4	8.9	9.3
IE	2.2	2.9	2.0	2.4	4.4	4.4	4.5	4.5
IT	0.6	0.2	0.6	0.2	7.6	7.7	7.5	7.7
LU	3.2	3.0	3.4	3.0	5.6	5.7	5.8	5.8
NL	0.5	0.8	1.0	0.8	4.9	4.3	4.2	4.0
AT	0.6	0.6	0.6	0.9	5.0	5.2	5.1	5.2
PT	0.2	0.2	0.4	0.3	7.7	8.1	7.8	8.3
FI	0.7	1.4	0.7	0.8	7.8	8.0	7.2	7.7
Euro area	1.2	0.9	1.1	0.8	8.4	8.4	8.1	8.3
CZ	0.4	0.6	0.3	0.5	7.5	7.5	7.4	7.2
DE	0.5	0.4	0.4	0.1	4.2	4.0	4.0	3.8
ES	0.6	0.8	0.8	0.6	6.0	7.0	5.4	6.2
CY	1.3	1.5	1.3	1.5	4.8	5.7	4.6	6.1
LV	0.7	1.0	0.6	0.7	9.4	8.7	9.3	8.5
LT	0.7	0.9	0.6	0.6	8.1	7.0	7.5	6.3
HU	0.6	0.1	0.3	0.5	6.9	7.8	6.7	7.7
MT	0.8	0.3	0.8	0.5	7.1	7.5	7.1	7.4
PL	1.2	2.2	1.2	1.8	16.8	16.7	15.5	15.5
SL	0.2	0.6	0.3	0.4	5.7	6.2	5.6	6.0
SK	0.9	1.2	0.8	0.9	16.2	15.5	15.8	14.9
SE	1.1	1.6	0.7	1.0	5.9	5.7	5.6	5.4
UK	0.4	0.4	0.6	0.6	4.9	5.0	4.7	4.8
EU-25	1.0	0.9	1.0	0.8	8.5	8.5	8.1	8.2
EU-15	1.0	0.8	1.0	0.8	7.7	7.7	7.4	7.6
BG	1.0	1.0	0.7	0.8	9.9	9.1	9.4	8.6
RO	0.5	0.2	0.0	0.2	6.1	7.3	5.9	7.1
US	1.2	1.4	0.6	0.6	5.0	4.8	5.3	5.1
JP	0.2	0.4	0.0	0.3	4.2	4.3	4.2	4.3

Source: Commission's forecast.
Unemployment rate: series following Eurostat definition, based on the labour force survey.

4. Modelling recent employment developments in the euro area

The purpose of this section is threefold: (i) to present an equation modelling accurately employment in the euro area; (ii) to analyse the resilience of employment observed since the start of the current economic downturn in 2001 and examine whether the employment pattern has changed compared with the economic boom of the late 1990s; (iii) to discuss the outlook for employment using ECFIN's forecast and the employment equation.

4.1. Modelling employment growth in the euro area

The ratio of employment growth to real GDP growth indicates that real GDP growth has been more job-intensive in the euro area over the last ten years than in the late 1980s and the first half of the 1990s.

A traditional labour demand equation is estimated for the euro area as a whole using a CES specification of the production function. The estimation of the employment equation over the period 1970-2005 confirms the existence of the break for the full period 1997-2005 (see Box1). According to the employment equation, the break in the employment equation amounts to an extra annual employment growth of 0.7 percentage point between 1997 and 2001 and 0.65 of a percentage point between 1997 and 2005, which is not explained by the traditional determinants (i.e. the employment simulated using the standard equation – without a break – estimated over the period 1970-1996). It corresponds to an upward shift in the long-term relationship in levels, which translates into a higher but temporary employment growth rate until the new long-term level is reached. It may be interpreted as a rise in the labour-intensity of the method of production. This is likely to have been caused by the labour market reforms carried out since the mid-1990s in many euro area countries as well as the gradual shift of the sectoral composition of the euro area economy towards services, which are growing faster and are more job-intensive than manufacturing. Conversely, the introduction of the break does not affect the short-term (cyclical) dynamic of the equation around the long-term relationship.

Graph 9 presents the dynamic simulation of the employment equation with a break from 1997 onwards, which fits well the actual employment data over a long period and in particular in the late 1990s and the first half of the 2000s ([1]).

The existence of the break is also consistent with the rise in the trend employment rate (corrected for the economic cycle), which was computed by ECFIN (European Commission 2004a) using OECD estimates of the NAIRU and HP-filtered labour force participation. The trend employment rate increases more sharply (by around 0.5 % point per annum) between 1997 and 2003 than in the first half of the 1990s (around 0.2 % point per annum), as shown in Graph 10.

4.2. Analysing the resilience of employment in the recent slowdown

Employment has been resilient to the economic downturn of 2001-2005, as suggested by the relatively labour productivity (Graph 12 in the next subsection) or alternatively the high job intensity of growth (ratio of employment growth to GDP growth). On the other hand, the strong period of economic expansion of the late 1990s saw buoyant employment creation that the traditional

([1]) The standard equation (without a break) has been estimated over the period 1971Q2–1996Q4, as its coefficients start to be very unstable from 1997 on according to recursive estimates. When estimated over the full period 1971Q2–2004Q3 leads, the dynamic simulation performs quite poorly in the 1990s (i.e. far from actual employment series) and the error correction term is barely significant.

Box 1: Econometric estimation of employment equations

Econometric estimation of employment, using a single error correction equation, shows that the lagged impact of economic growth and real labour costs, a total factor productivity trend (capturing the imperfect substitutability between labour and capital) and employment growth 'inertia' can account for most of the employment developments between 1970 and the early 1990s. However, these traditional determinants can only explain part of the employment development seen in recent years (1997-2005). In a recent paper, Mourre (2006) shows sound evidence of a structural break in the aggregated labour demand equation in the euro area in the late 1990s. Using a similar CES specification of the production function with updated data ([1]), we derived an error correction employment equation with a break in the intercept. The break, captured by a dummy, is very significant from a statistical standpoint (at below 1 %), as shown by Table 12. The fit is also improved when a break is added. Moreover, the correlation LM test does not signal first- and fourth-order autocorrelation and the ECM term appears highly significant.

Table 12

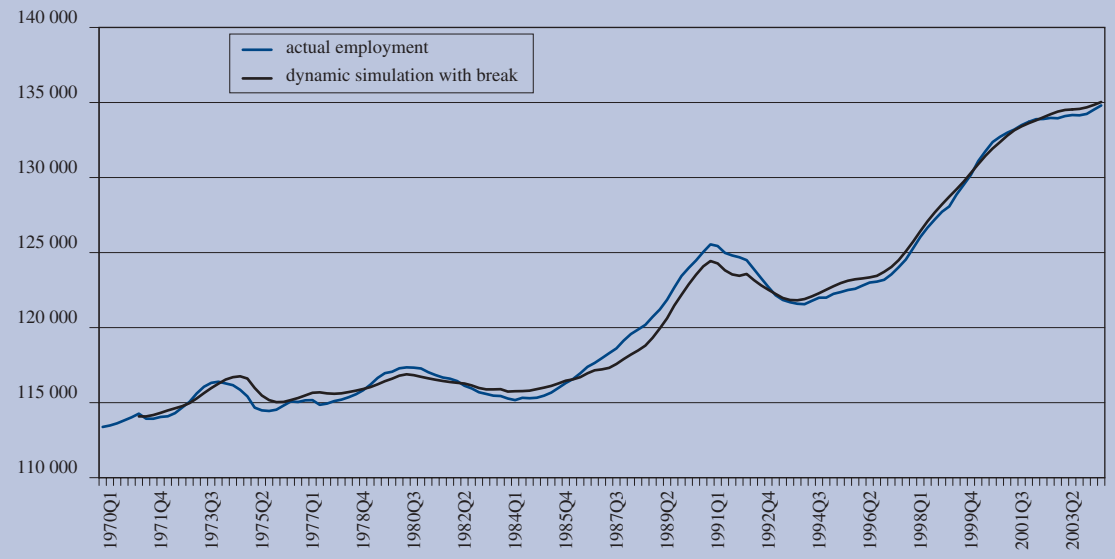
OLS estimates of employment equations with and without break over 1970Q1-2005Q4

Estimation period	Equation WITHOUT break ([1])	Equation WITH break ([2])
	1970Q1-2005Q4	1970Q1-2005Q4
Coefficients (t-statistics)		
$\Delta \ln E_{t-1}$	0.604***	0.545***
	8.76	6.89
$\Delta \ln Y_{t-1}$	0.062*	0.064***
	1.75	2.71
$\Delta \ln Y_{t-2}$	0.061***	0.063*
	2.65	1.85
$\Delta \ln (w/p)_{t-5}$	– 0.013	– 0.012
	(– 0.57)	(– 0.54)
$ECM=E_{t-1} - \ln Y_{t-1}$ ([1])	– 0.014**	– 0.025***
	(– 2.11)	(– 3.25)
$\ln (w/p)_{t-1}$ (long-term relationship)	– 0.608*	– 0.389***
	(– 1.62)	(– 3.25)
Time trend $_{t-1}$	– 0.0023	– 0.00351*
	(– 1.47)	(– 1.90)
Dummy 1975Q2	– 0.002	– 0.002*
	(– 1.59)	(– 1.70)
Dummy 1984Q1	– 0.002***	– 0.003***
	(– 8.84)	(– 9.35)
Dummy 1989Q4	0.003***	0.003*
	9.39	8.52
Dummy 1992Q3	– 0.004***	– 0.004***
	(– 6.88)	(– 6.92)
Intercept	– 0.016*	– 0.036***
	(– 1.77)	(– 6.92)
Break= Dummy (year>1996)		0.0014***
		2.65
Main statistics		
R^2	0.773	0.786
Adjusted R^2	0.753	0.766
Serial correlation of order 1	0.21	0.28
LM(1) ([2])	(0.65)	(0.6)
Serial correlation of order 4	6.31	4.13
LM(4) ([2])	(0.22)	(0.39)

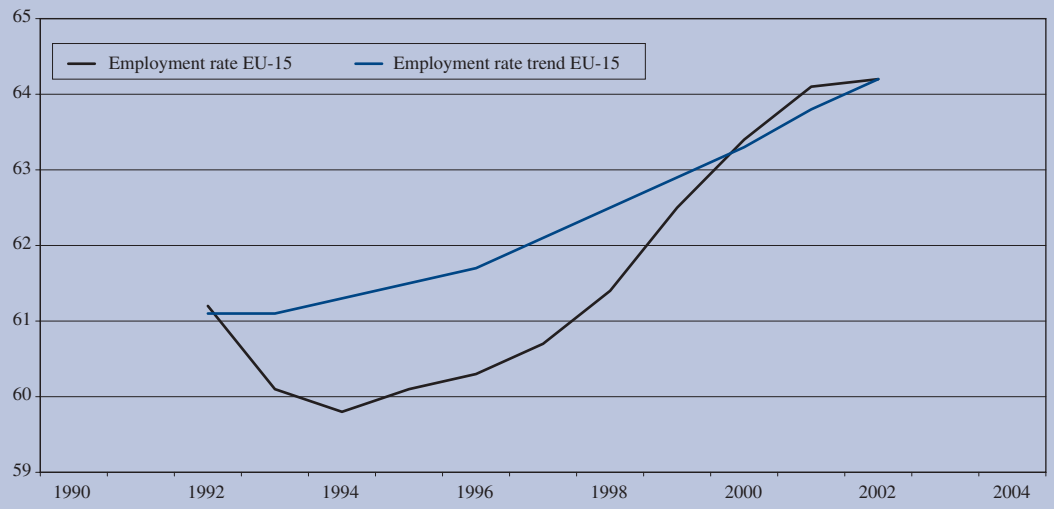
Note: Absolute value of t statistics in parentheses,
* significant at 10%,; **significant at 5%; *** significant at 1%,
As some heteroskedasticity has been detected, the t-statistics are computed with the White heteroskedasticity-consistent standard errors,
([1]) The t-statistics of the ECM term should be compared with – 1,61, – 1,93 and – 2,56, which is the MacKinnon critical value at 10%, 5% and 1% respectively,
([2]) Breusch-Godfrey correlation LM test (asymptotic test),

([1]) Data obtained from Fagan, G., J. Henry and R. Mestre, 'An Area-Wide Model (AWM) for the Euro Area', ECB working paper series, No 42, January. The most recent quarters have been extended using Eurostat ESA95 National Accounts.

Graph 9: **Dynamic simulation of employment in the euro area**



Graph 10: **Estimation of trend EU-15 employment rate**



determinants (GDP growth, moderate real labour cost developments, employment inertia, trend TFP) cannot fully explain (Decressin et al. 2001, Garibaldi and Mauro 2002, Mourre 2006).

In this context, it is helpful to check whether the break in the standard equation recorded in the late 1990s is still seen when we extend the time sample to the period of sluggish economic growth which followed in the first half of the 2000s. Indeed, there is no reason to believe that the break in the employment equation should completely disappear in a period of slow economic growth, as this break is – by definition – not explained by the economic cycle. However, the magnitude of the break could

be slightly altered if we consider a longer time sample, as its underlying causes could evolve over time ([1]).

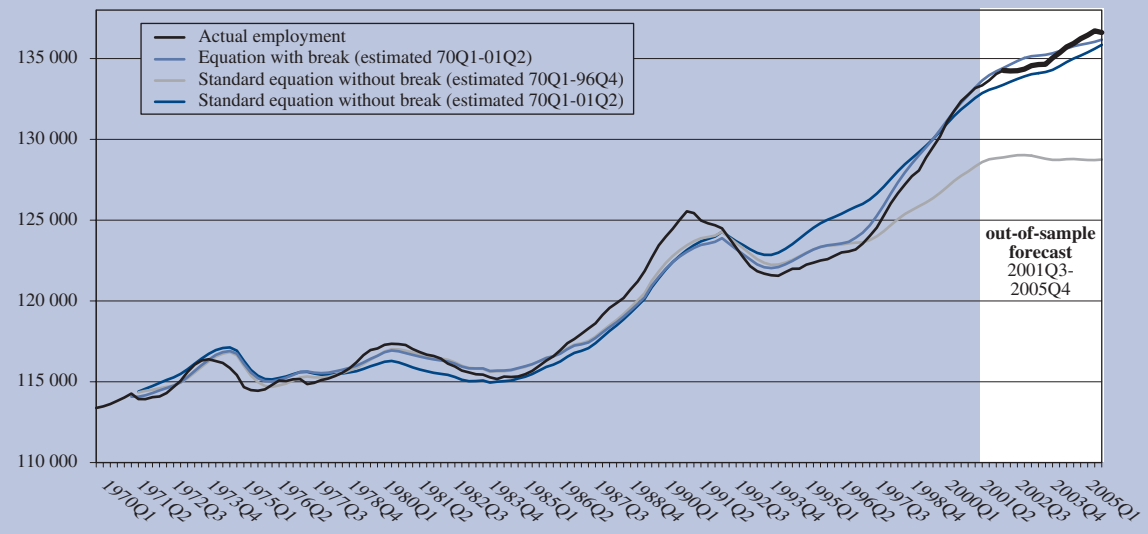
The idea is to run the equation up to the end of the past expansion in 2001, to forecast employment over 2001-2005 and then to compare the result with actual employment.

Graph 11 presents the performance of the out-of-sample forecast of employment. Unlike the standard equation (without break) estimated both before the break in 1997 and on the full period 1970-2001, the equation with break performs well over the period 2001-2005. In particular, the equation estimated before 1997, i.e. the onset of the break, predicted that employment would stall in 2001-2005, while it actually significantly increases, albeit at a lower pace than during the late 1990s. The out-of-sample dynamic simulation is close to the actual employment dynamics, although it displays a smoother pattern than the actual series, which may show some sign of overshooting (slight labour shedding in 2002 followed by labour hoarding in 2004-2005).

([1]) The pace of reforms of labour institutions which may explain part of the break could differ between periods of slow and strong economic growth.

It emerges that the employment pattern seen in the period of strong employment growth in the late 1990s (characterised by a break in the employment equation) suffices to explain the behaviour of employment in the downturn. The resilience during the recent slowdown is therefore mainly accounted for by the job-richer economic growth already recorded between 1997 and 2001 (long-term employment pattern) rather than a change in the cyclical response of employment (short-term employment behaviour) in the current slowdown compared with the upturn of 1997-2001. In brief, the structural change recorded in 1997-2001 is still seen in the subsequent period, which is characterised by very different cyclical conditions. The resilience during the recent slowdown is therefore mainly accounted for by the job-richer economic growth already recorded between 1997 and 2000 (which is therefore likely to be related to structural factors (past and ongoing labour market reforms and more favourable sectoral structure). Indeed, the break in the intercept corresponds to a permanent increase in the long-term *level* of employment, which reflects the fact that the economic activity is more intensive in labour (whatever the cyclical conditions) than in the past and implies higher employment growth *in a transitory period only* to reach this new employment-richer regime. This explains why the growth in employment was broadly similar in the late 1990s and the late 1980s despite significantly lower GDP growth in the late

Graph 11: **Actual employment and out-of-sample forecast in the period of economic slowdown (2001-2005)**



1990s and why employment growth remains positive after 2001 despite the drop in GDP growth. However, further rises in labour intensity would be needed to make the increase in the employment growth last.

In addition to the positive break, wage moderation is also an explanatory factor, which acts with some lags (see Graph 12). According to the equation with break, a 1 % point decline in real labour cost growth leads to around a 0.4 % point increase in employment growth in the long run (with a mean lag of around two years). In the period 2001-2005, labour costs (deflated by GDP deflator) barely increased (at an annual rate of only 0.05 %), while real labour costs grew by 1.6 % in 1990-1992, on the eve of the recession of 1993.

4.3. Employment outlook for 2006 and 2007

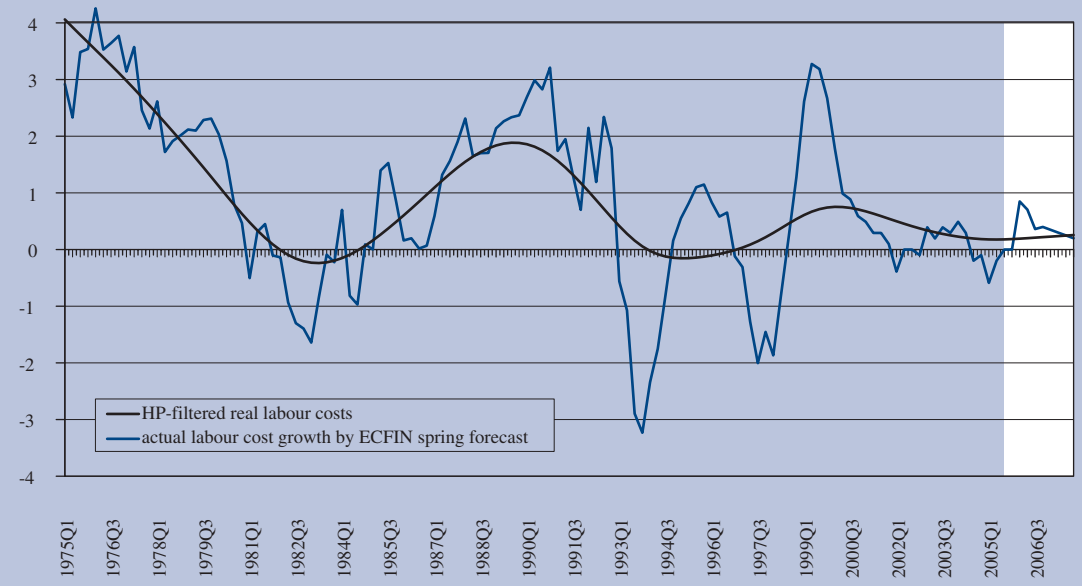
According to DG ECFIN's spring 2006 forecast, employment is predicted to grow at 0.9 % in 2006 and 0.8 % in 2007 compared with 0.7 % in 2005. This rise would reflect the expected movements in GDP growth from 1.3 % in 2005 to 2.1 % in 2006 and 1.8 % in 2007. As seen in Graph 13, the employment equation confirms that this profile is reasonable and that no strong recovery in employment should be expected in the coming two years; any growth will very likely remain below 1% per annum.

For 2006, the employment forecast derived from the equation is very close to DG ECFIN's spring forecast (0.8 % compared with 0.9 %). However, for 2007, the forecast derived from the equation is slightly more pessimistic than ECFIN's spring forecast (0.6 % compared with 0.8 %).

Looking at the productivity profile in more depth, both the spring 2006 forecast and the employment equation point to a weak rebound in productivity growth in 2006 followed by a decline, as depicted by Graph 14. The expected recovery in productivity projected for 2006 is consistent with recent observed developments, as it is of a similar magnitude to the local pick-up registered in early 2004. However, it is of a lesser magnitude than those recorded in 1998, 2000 and early 2004 (which were themselves much smaller than those observed in the 1970s, 1980s and early 1990s). This lower amplitude of the productivity cycle can be related to the lesser fluctuation of GDP growth. Historically, the productivity cycle was highly correlated to the business cycle.

Moreover, both forecasts capture well the fact that trend productivity has been lower since the mid-1990s. Average HP-filtered productivity is around 0.9 % in the period 1997-2005, compared with 1.8 % in the period 1986-1996. This 'lower productivity' might partly reflect the higher job-intensity of economic growth: past and ongo-

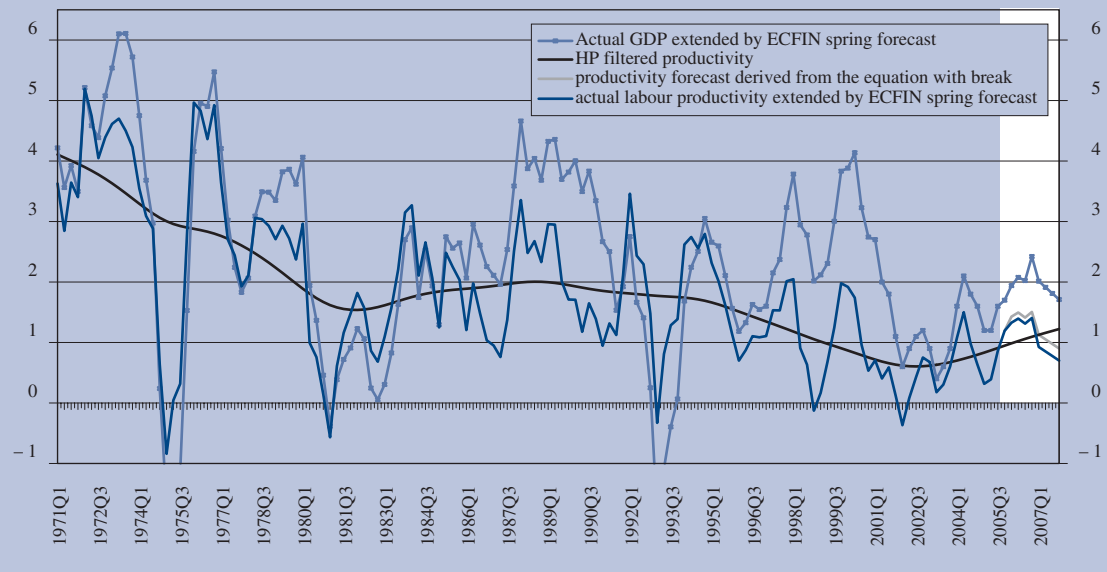
Graph 12: **Real labour cost growth in the euro area (deflated by GDP deflator)**



Graph 13: **Forecast employment productivity growth (employment equations and ECFIN)**

ing labour market reforms combined with a sustained period of moderate and stable wage developments are likely to have contributed to higher labour utilisation in the euro area. However, it should be borne in mind that this is not the full picture as the decline in labour productivity growth is also attributed to the lack of innovation combined with the delay in the completion of the single market and the rigidities in the product markets.

Graph 14: **Forecast productivity growth (employment equation and ECFIN) from a longer term perspective**



5. Wage developments

Brightening economic conditions have not translated in accelerating wage growth. In 2005, the dominating issue in the wage sphere was whether growth of labour costs is going to accelerate and how fast. Against the background of continuously high prices for energy on world markets and with consumer price inflation in the euro area persistently above the 2 % margin, the emergence of second-round effects from wages appeared to be a genuine threat to price stability. The fact that wage moderation has prevailed for a considerable time, while an economic rebound set in, the rates of unemployment improved and profitability rebounded, added credibility to a scenario of accelerating wage growth.

In the end, the scenario did not materialise in 2005. Labour cost growth, measured as compensation per employee, was smaller in 2005 than in 2004 in 13 of the 25 EU Member States, yielding a deceleration of wage growth to 2.6 % in the EU-25 aggregate from 2.9 % the year before and 2.0 % from 2.2 % in the euro area. The picture is similar for hourly labour costs. The increase in hourly compensation slowed down in 13 Member States. At the aggregate level, growth rates of hourly labour costs remained broadly constant in the EU-25 and euro area.

With respect to the cyclical situation, developments in 2005 appear as a mirror image to those during the early phase of the economic slowdown in 2001-02. At that time, wage growth responded belatedly and sluggishly to the weakening of economic activity, which depressed profitability and possibly dented investment activity. This time, labour costs failed to accelerate, at least in the majority of countries and the EU aggregates, despite economic activity having gained pace, which should be beneficial for both investment and job creation. As in the previous episode, the reason for this behaviour can be found in both structural and cyclical factors. Related to wage bargaining structures and possibly the design of social benefit systems in EU Member States, wages typically respond stickily to changes in economic conditions. But there was also immense uncertainty surrounding the sustainability of the cyclical rebound, which might have held back wage claims.

Combined with consumer price inflation hovering above 2 % and employment growth below 1 % in most Member States, the moderate increase in nominal wages translated into a small expansion of real wages. The growth rate of real compensation per employee had been below 1 % per annum in each year since 1999 in the euro area and not much higher in the EU-25. In 2005, real compensation per employee did not grow in the euro area and in the EU-15 and EU-25 it increased by a mere 0.5 %. This means that the wage bill was almost exclusively driven by changes in employment. Since employment growth rebounded in 2005, the wage share declined much less in 2005 than in the previous year, reaching 66.8 % in the EU-25 and 64.7 % in the euro area (see Graph 15). As regards the euro area, this is the lowest wage share recorded ever ([1]).

5.1. The euro area

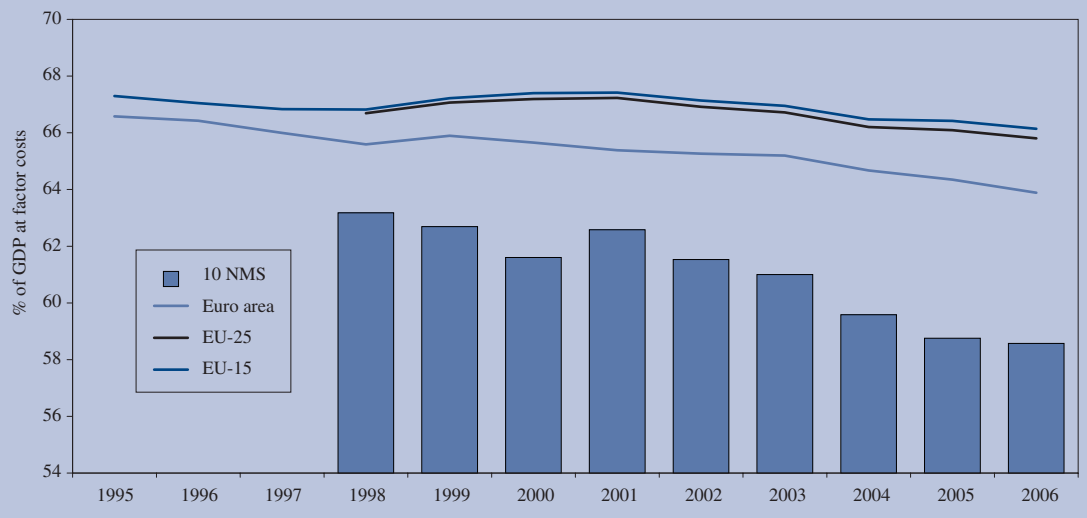
5.1.1. Developments in nominal labour costs

Aggregate developments

All harmonised wage indicators show that low wage growth has prevailed in the euro area in 2005. The increase of 2.0 % of compensation per employee in 2005 has been the lowest since 1999. In 2004, it was still 2.2 %. When transformed in hourly rates, compensation increased by 2.3 % in 2005, which is marginally higher than the 2.1 % seen in 2004, but considerably below those in the years 1999-2003. Eurostat's hourly Labour Cost Index confirms the image of prevailing wage mod-

([1]) The adjusted wage share is defined here as compensation per employee as percentage of GDP at factor cost per person employed. Historical data since 1960.

Graph 15: **Adjusted wage share, EU aggregates**



Source: Commission services.

eration. It picked up to 2.6 % in 2005 after 2.5 % the year before, which is also markedly below the rates recorded in previous years (see Graph 16).

While the data on compensation per employee suggests the picture of a further deceleration in 2005 of the growth of labour costs in the euro area, indicators of hourly wage growth indicate a bottoming out, but no further deceleration. The latter is also supported by the profile of quarterly wage growth. The quarter-on-quarter increase in Eurostat's labour cost index has meanwhile been constant for ten quarters in a row (see Graph 17). Thus, it would also be premature to interpret the slight acceleration of hourly wage growth in the year 2005 as a clear sign of a reversal towards accelerating growth of labour costs.

Reasons behind continuously moderate wage growth

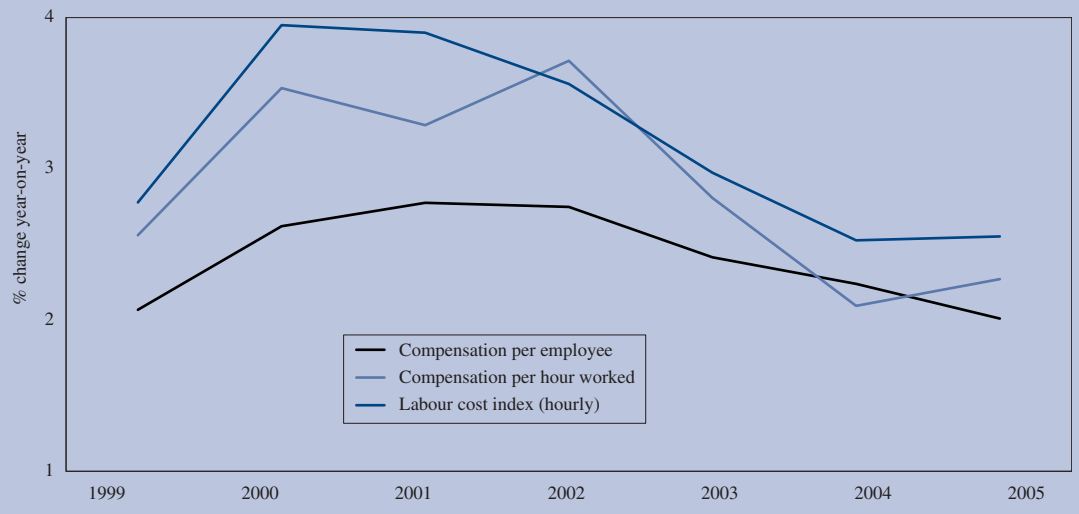
Market forces, as well as the behaviour of social partners in collective bargaining, contributed to continuously moderate wage growth in the euro area. The contribution of non-wage labour costs to labour cost growth, which reflects the impact of non-economic forces, has been small.

According to the ECB indicator of negotiated wages, the wage increase agreed in collective bargaining was 2.1 % in 2005, the same rate as the year before. Graph 18 suggests that the increase in negotiated wages has followed the development of the euro area output gap with a lag. It did not start decelerating when the output gap closed. Considerably lower wage increases were agreed once the output gap became negative. Similarly, collectively-agreed wages increases did not pick up on the improvement in the output gap 2004. That they remained at a relatively low level might be due to the fact that the output gap remained negative and deteriorated again in 2005 ([1]). An important reason for the lagged response of negotiated wages to cyclical conditions is that they are often negotiated for a period of at least one year.

The wage drift, which is defined here as the gap between the increase in hourly compensation and the growth of negotiated wages, tended to move alongside negotiated wages. It appears to be more responsive to cyclical conditions than negotiated wages, having increased in 2002 when the slowdown was assumed to be short lived, and strongly declined thereafter. In 2005, the wage drift turned slightly positive, which might be a lagged response to the rebound in economic activity in 2004. Note, however, that cyclicality and sign of the wage drift depend on the indicator of labour costs. The gap between per head labour costs and negotiated wages is smaller and less cyclical if negotiated wages are compared with compensation per employee.

([1]) The observation of no acceleration in negotiated wages would also be in line with the notion that the improvement of the output gap in 2004 was largely due to a calendar effect, driven by 2.8 more working days in the euro area in 2004 than on average.

Graph 16: **Annual nominal wage growth in the euro area**



Source: Commission services.

Graph 17: **Quarterly nominal wage growth in the euro area**

Source: Commission services.

The relevant wage variable has been so far labour costs, which includes wages paid to employees as well as non-wage labour costs. The latter item relates to social security contributions paid by employers. In the euro area, most of these expenses are legally required (for details on the most recent trends in non wage-labour cost and more generally on the tax wedge see Box 2). However, they also include employers' contributions to contractual and private benefit plans. Therefore non-wage labour costs do not only depend on legally defined contribution

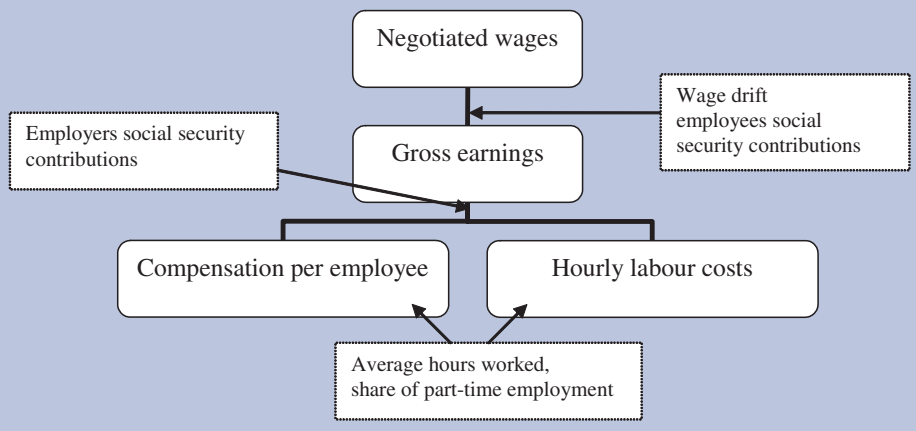
Box 2: **Wage indicators — main concepts and conceptual differences**

1. **Compensation per employee** and **compensation per hour** capture the development in total labour costs borne by firms. They include gross wages and salaries (i.e. wages plus employees' social security contributions) and employers' social security contributions. Employers' social security contributions drive a wedge between labour costs and wages. Compensation per employee and compensation per hour worked are derived from the data on total compensation, employees and hours worked in the national accounts whereas other indicators are mostly based on surveys. It is the relevant concept when it comes to compare labour cost growth to labour productivity developments, or, putting it differently, to compute unit labour costs (i.e. labour costs borne by a firm for each unit of output).

2. **The labour cost index** (*LCI*) captures the evolution in *hourly* labour costs, which is meant to give a better estimate of labour cost developments, correcting for distorting compositional effects of the numbers of hours worked (namely, the changes in overtime hours and the developments of part-time employment). Unlike compensation, the information covers only the non-agricultural market-related economy ('business sectors') excluding the non-market services (administration, education, health and social services) in many countries. Therefore, the difference between the *LCI* and compensation per employee captures not only the correction of the number of hours worked but also diverging wage developments in the public and private sector.

3. **ECB indicator of negotiated wages for the euro area** aggregates information from non-harmonised indicators of collectively agreed wages from national sources. It indicates the wage pressures arising from both employees' wage claims and the outcome of wage bargaining process, regardless of any governmental measures on employers' social security contributions and any 'wage drift' (i.e. pay rise above or below what it is negotiated). In this respect, by comparing this information with compensation per hour (adjusted for employers' social security contributions), one can in theory derive information about **wage drift**, which is the gap between wages actually paid and negotiated wages. Despite the fact that the aggregation of non-harmonised components is an important methodological weakness, the indicator appears to reflect relatively well wage developments in a timely manner.

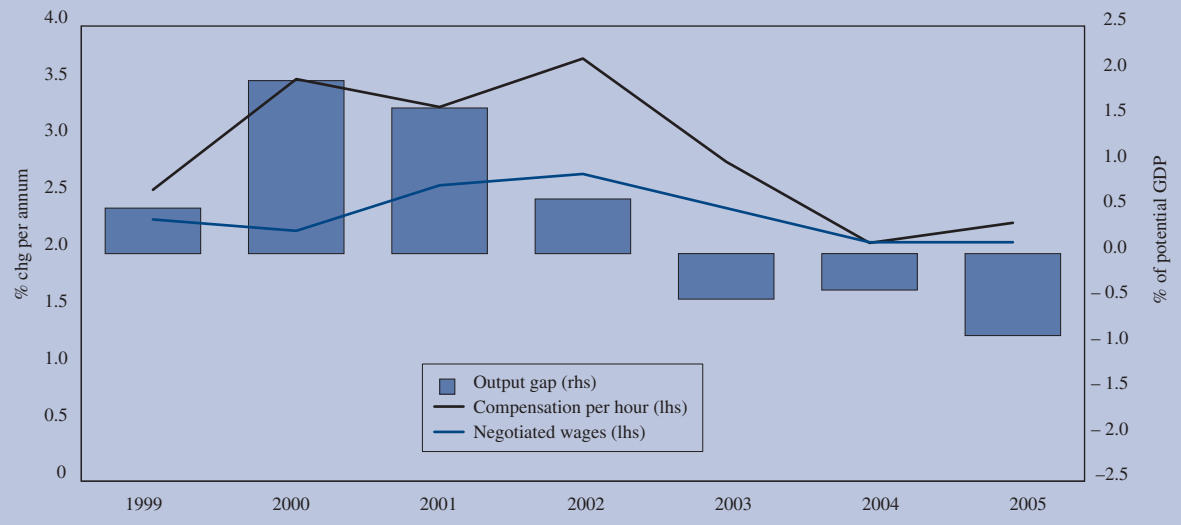
Figure 1



Source: adapted from ECB, Monthly Report June 2003.

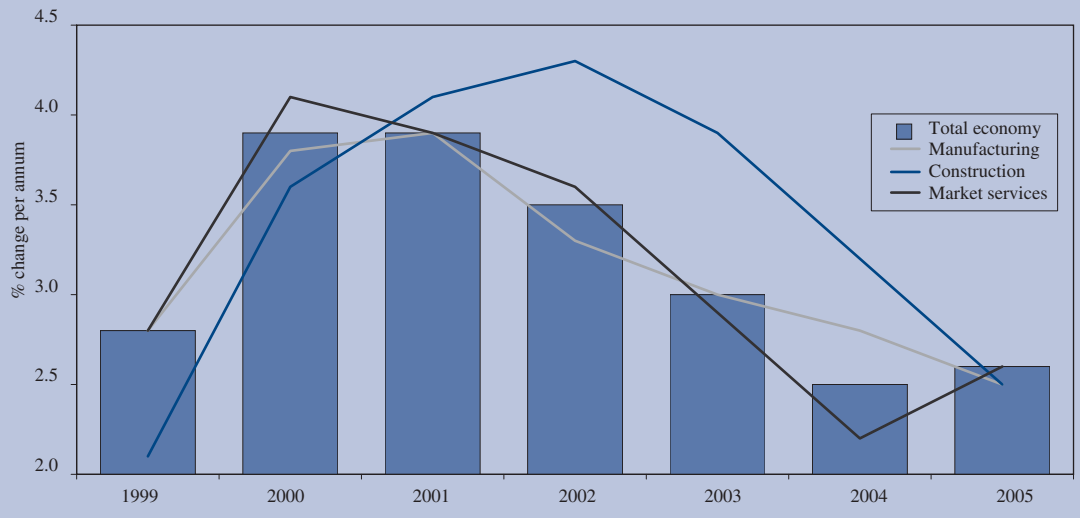
4. **ECFIN wage indicator for the euro area and the EU-15**, based on the most timely national wage statistics, gives in general a (crude) indication of gross monthly earnings (gross wages), although underlying data for some countries refers to hourly data or to total labour costs. This implies a complete lack of harmonisation of the indicator's country components. This indicator and their country components are conceptually similar to Eurostat's indicator of gross monthly earnings, which is not produced any longer because of its lack of harmonisation and reliability.

Graph 18: **Output gap, negotiated and actual wage growth, euro area**



Source: Commission services.

Graph 19: **Hourly labour cost growth by sectors, euro area**



Source: Commission services.

rates to social security but can also be influenced by changes in firms' pension reserves, for example, to take account of changes in life expectancy ([1]).

On a competitive market, changes in non-wage labour costs should translate into opposite changes in wages, keeping total labour costs constant in the long run. In the short to medium run, changes in non-wage labour costs may not be neutral. Thus, increases in employers' social security contributions could increase total labour costs and reductions in social security contributions may lead

([1]) This effect has had a significant impact on total labour costs in Germany in 2000 and in the first quarter of 2005.

to a decline in labour costs ([1]). The available breakdown in the national accounts and the LCI allows a look at the contribution of these non-wage elements to total wage growth.

There are currently two different statistical sources available to calculate the impact of non-wage labour costs, namely the data from the national accounts and from the LCI. Both show that the annual increase of non-wage labour costs continued to be higher than wage growth in 2005. Non-wage labour costs per employee grew by 2.2 % per employee according to the national accounts and by 2.9 % per hour according to the LCI. The contribution to the increase to the growth of total labour costs was, however, small in the euro area. Both sources suggest that the contribution to the increase of total labour costs was between 0.2 and 0.3 percentage point in 2005 (Graph 20).

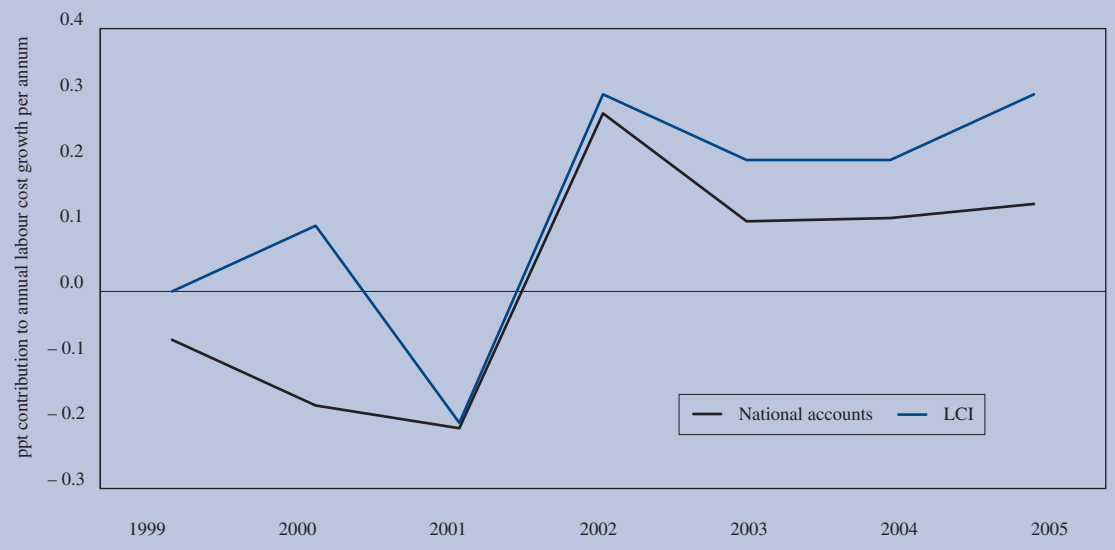
The euro area aggregate hides substantial differences among Member States. A high contribution of non-wage labour costs to the growth of total labour costs has been around 1 % on average in 2002-2004 as well as in 2005 in the Netherlands. A change to employers' contribution to healthcare led to a negative contribution in Germany in 2005. That is, the increase in wages and salaries in 2005 was slightly higher than the increase in labour costs in Germany and five other euro-area Member States, whereas the opposite holds for four countries. They grew in tandem in Austria.

Sectoral breakdown

Labour cost developments have been different across sectors. After having shared a downward trend in the last years, sectoral hourly labour costs moved in different directions in 2005. In 2005, wage growth in market services picked up, albeit from very low rates in 2004, whereas hourly labour costs in manufacturing and construction continued to decelerate. This observation sparks off the interesting question of whether the trend reversal in market-services gives an indication for a general change in trends in 2006. The traditional view considers wages in manufacturing to lead overall wage developments. However, a lead of developments in market-service wages over manufacturing wages is also visible in 2001/02. At that time, wages in construction followed with a further delay.

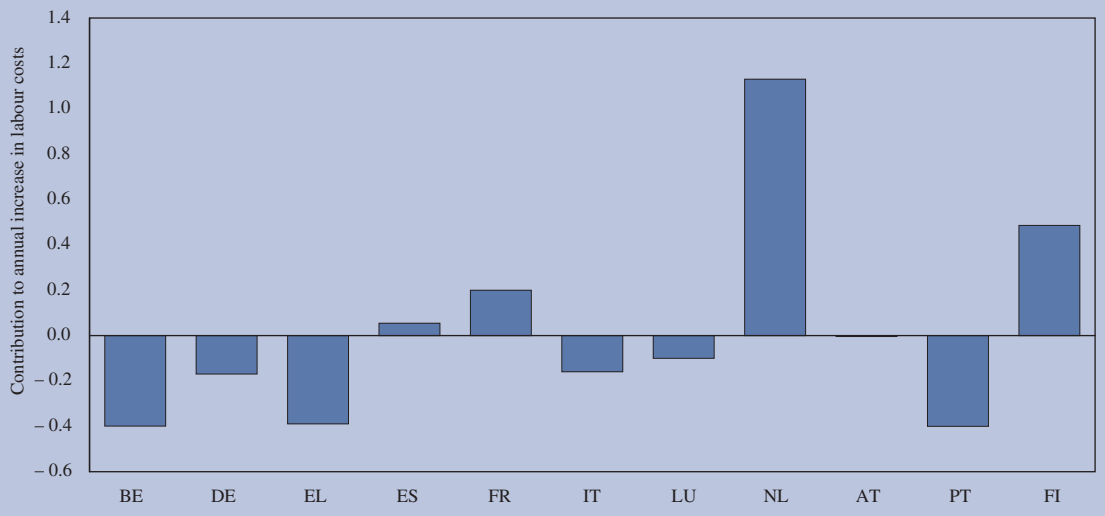
([1]) In some countries, for example Germany, there is a direct link between the contributions to the social security system paid by the employees and the one paid by the employers.

Graph 20: **Contribution of non-wage labour costs to total wage growth, euro area**



Note: The 2005 peak is due to developments in Belgium and the Netherlands.
Source: Commission services.

Graph 21: **Contribution of non-wage labour costs to total wage growth 2005, euro area Member States**



Note: National accounts, except for France, Luxembourg and Portugal, which are based on the LCI.
Source: Commission services.

Box 3: **The evolution of tax wedges on labour**

A comprehensive analysis of the development of wages in the European Union needs to take into account the tax and social security components that create a gap between the cost of labour for employers and the net earnings received by the workers.

In 2005, the total tax wedge on labour (including employers' social security payments) for an average-wage worker ([1]) varied in the European Union ([2]) from 25.7 % in Ireland to 55.4 % in Belgium (See **Table 13**). At 44.4 %, the GDP-weighted EU average remains about 15 percentage points above the US level, and this despite a gradual decrease over the last years. The 0.8 % decrease for the EU average since 2000 reflects a reduction taking place in 12 of the 19 European countries from the sample and has been most marked in Slovak Republic, Finland, Ireland, Denmark and Luxembourg.

The changes from 2004 to 2005 have been relatively modest for most countries, probably partly reflecting small changes in the average wages or small adjustments in the thresholds of tax and social security payments brackets (See **Table 14**). There are, however, a few noticeable exceptions. The total tax wedge in Slovak Republic decreased by an impressive 4.1 percentage points, thanks to a dramatic decrease in the employers part in social security contributions. The German reform of personal income taxes allowed for a reduction in the tax wedge of 1.5 percentage points. A rather substantial decrease in tax wedge also occurred in Hungary, mainly due to a decrease in personal income taxation. Several other Member States (Austria, Ireland, Portugal and Sweden) have also seen their tax wedge decreased but at smaller rates. On the other hand a number of Member States have seen their tax wedge increased, albeit in a modest way.

([1]) The reference is a single person without children in the manufacturing industry. The figures are coming from OECD's publication on taxing wedges. For additional measures of taxation on labour, see also European Commission's publication on 'Structures of taxation systems in the European Union', which provides real-life data on the implicit tax rate on labour. This report can be found at http://ec.europa.eu/taxation_customs/taxation/gen_info/economic_analysis/tax_structures/index_en.htm

([2]) Bar Cyprus, Estonia, Latvia, Lithuania, Malta, and Slovenia which are not OECD members.

(Continued on the next page)

Box 3 (continued)

Several reforms of personal income tax schemes have allowed for a reduction in the tax wedge. Germany has decreased its marginal tax rates. For example, as a last step of the Tax Reform 2000, the basic tax rate and the top rate have decreased from 16 % to 15 % and from 45 % to 42 % respectively. Portugal has chosen to mainly target the decrease in marginal rates to the first brackets. Austria has applied a similar reform, raising the thresholds from which incomes are taxed, suppressing the 21 % tax bracket but slightly increasing at the same time the marginal tax rates over the middle range. Hungary had a three-bracket tax structure in 2004 and has decided to suppress the middle bracket by aligning its rate with the 18 % applicable to the first bracket instead of 26 %. The top bracket is left unchanged at 38 %. Finally, Ireland has simply decided to raise both the tax credit offered to all taxpayers and the threshold of the top bracket (taxed at 42 % compared to 20 % for the first bracket) of its two-bracket personal income tax system.

The exact same trends can be observed for low-wage workers ([1]) as for average-wage ones (see **Table 15**). One noticeable exception is France which did specific efforts to decrease employers' social security payments on this category of workers and hence reducing their total tax wedge by almost one percentage point. Over the last years, several Member States have targeted their reduction in labour costs to this category of workers leading to a 1.7 percentage point decrease in the total tax wedge between 2000 and 2005. Here again, the most dramatic reduction has been achieved by France and Hungary.

([1]) Defined as a single person without children in the manufacturing industry and earning 67 % of the average earnings of a full-time production worker.

Table 13

Total tax wedge on labour (including soc. sec. employers)

Total tax wedge on labour	Single person without children, average wage (100 % of APW)							Single person without children, 67 % of APW						
	2000	2001	2002	2003	2004	2005	Difference 2000-05	2000	2001	2002	2003	2004	2005	Difference 2000-05
AT	47.3	46.9	47.1	47.4	47.5	47.4	0.1	43.2	42.9	43.1	43.5	43.4	42.5	– 0.7
BE	57.1	56.7	56.3	55.7	55.4	55.4	– 1.7	51.3	50.7	50.5	49.6	48.9	49.1	– 2.2
CZ	42.7	42.6	42.9	43.2	43.5	43.8	1.1	41.4	41.3	41.5	41.7	41.9	42.1	0.7
DE	53.9	53	53.6	51.5	53.3	51.8	– 2.2	48.6	47.7	48.2	45.5	47.9	46.7	– 1.9
DK	44.3	43.6	42.6	42.6	41.3	41.4	– 3	41.2	40.5	39.8	39.8	39.3	39.3	– 1.9
EL	38.4	38.1	37.7	37.7	38.3	38.8	0.4	35.5	35.1	34.3	34.4	34.4	34.4	– 1.1
ES	38.6	38.8	39.1	38.5	38.7	39	0.4	34.7	35.3	35.7	34.7	35.2	35.7	1
FI	47.8	46.4	45.9	45	44.5	44.6	– 3.2	43	41.4	40.9	40	39.4	39.5	– 3.5
FR	49.6	49.8	49.8	49.8	49.8	50.1	0.5	47.4	47.6	47.4	45	42.3	41.4	– 5.9
HU	52.7	54	53.7	50.8	51.8	50.5	– 2.2	48.5	48.1	48.2	44.5	44.8	42.9	– 5.6
IE	28.9	25.8	24.5	24.2	26.2	25.7	– 3.2	18.1	17.3	16.7	16.2	20.5	19.9	1.8
IT	46.4	46	46	45	45.4	45.4	– 1	43.1	42.7	42.7	41.1	41.4	41.7	– 1.3
LU	38.2	36.2	33.6	34.1	34.6	35.3	– 2.9	32.5	30.6	28.6	28.9	29.2	29.8	– 2.7
NL	39.7	37.2	37.4	37.1	38.6	38.6	– 1.1	42	38.9	39.1	40	40.4	41.3	– 0.7
PL	43.2	42.9	42.9	43.1	43.3	43.6	0.3	42.2	41.8	41.7	41.9	42.2	42.4	0.2
PT	37.3	36.4	36.6	36.8	36.8	36.2	– 1.1	33.2	32.2	32.3	32.4	32.4	31.7	– 1.5
SE	50.1	49.1	47.8	48.2	48.4	47.9	– 2.2	48.6	47.8	46.8	47	47.1	46.5	– 2.1
SK	41.8	42.8	42.5	42.9	42.5	38.3	– 3.4	40.6	41.3	40.8	40.9	39.6	35.3	– 5.3
UK	32.1	31.8	31.9	33.3	33.4	33.5	1.4	28.3	28	28.1	29.6	29.7	29.9	1.5
EU *	45.2	44.6	44.6	44.2	44.7	44.4	– 0.8	41.6	41.1	41.1	40.1	40.2	39.9	– 1.7
US	29.7	29.6	29.4	29.2	29.1	29.1	– 0.6	27.2	27.1	27	26.7	26.7	26.7	– 0.5
CH	30	30.1	30.1	29.7	29.4	29.5	– 0.5	27.3	27.3	27.3	26.9	26.6	26.7	– 0.6
NO	38.6	39.2	38.6	38.1	38.1	37.3	– 1.3	35.1	35.2	35.2	34.9	35	34.3	– 0.8

* From January 2005, Slovak Republic has introduced the fully funded pillar, Under this system, 9 percentage point of the social security contributions paid by the employer to the pension insurance go directly to pension funds and not to the social insurance company as previously, The pension funds are treated outside of the general government so that these contributions are not accounted for in the OECD calculations, Hence, the 2005 employers' social security contributions are assumed to be 26.2 % (OECD, taxing wedges report),

Source: OECD, Taxing wages report, Single person without children, 100 % and 67 % of APW, * GDP-weighted average for those countries above,

Table 14

Tax wedge on labour for the average-wage worker and its components

Single person without children, 100 % of APW	Total tax wedge 2005	Of which			Difference 2004-05				Difference 2000-04			
		Personal income tax	Social security contribution employee	Social security contributions employer	Total tax wedge	Personal income tax	Social Security contribution employee	Social security contribution employer	Total tax wedge	Personal income tax	Social security contribution employee	Social security contribution employer
AT	47.4	10.9	14	22.6	– 0.1	– 0.2	0	0	0.2	1.2	0.2	– 1.2
BE	55.4	21.4	10.7	23.3	0	0	0	0	– 1.7	– 0.5	0.2	– 1.5
CZ	43.8	8.6	9.3	25.9	0.3	0.3	0	0	0.8	0.8	0	0
DE	51.8	17.3	17.3	17.3	– 1.5	– 1.5	0	0	– 0.7	– 1.1	0.2	0.2
DK	41.4	30.2	10.6	0.5	0.1	0.2	0	0	– 3.1	– 2.1	– 1	0.1
EL	38.8	4.3	12.5	21.9	0.5	0.5	0	0	– 0.1	– 0.2	0.1	0.1
ES	39	10.7	4.9	23.4	0.3	0.3	0	0	0.2	0.2	0	0
FI	44.6	20.1	5.1	19.4	0.1	– 0.1	0.2	0	– 3.3	– 1.4	– 0.6	– 1.3
FR	50.1	10.8	9.6	29.7	0.2	0.1	0	0.1	0.3	– 0.2	0.1	0.4
HU	50.5	14.3	10	26.3	– 1.2	– 1.1	0	– 0.2	– 0.9	– 1.6	0.7	0
IE	25.7	11.4	4.7	9.7	– 0.4	– 0.5	0	0	– 2.7	– 1.7	0	– 1
IT	45.4	13.6	6.9	24.9	0	0	0	0	– 1	– 0.5	0.1	– 0.6
LU	35.3	11.1	12.3	11.9	0.7	0.4	0.1	0.1	– 3.6	– 3.2	– 0.1	– 0.3
NL	38.6	9.5	19.7	9.5	0.1	0.3	– 0.4	0.2	– 1.1	1.2	– 1.9	– 0.4
PL	43.6	5.3	21.3	17	0.2	0.1	0.2	0	0.1	– 0.4	0.5	0
PT	36.2	8.1	8.9	19.2	– 0.6	– 0.6	0	0	– 0.5	– 0.5	0	0
SE	47.9	18.1	5.3	24.5	– 0.4	– 0.3	0	– 0.1	– 1.8	– 1.7	0	– 0.1
SK	38.3	6.9	10.6	20.8	– 4.1	0.4	0.7	– 5.3	0.7	1.1	1.2	– 1.6
UK	33.5	15.7	8.2	9.6	0.1	0.1	0	0	1.3	0.1	0.7	0.5
US	29.1	14.6	7.3	7.3	0	0	0	0	– 0.5	– 0.5	0	0
CH	29.5	9.6	10	10	0.1	0.1	0	0	– 0.6	0.2	– 0.4	– 0.4
NO	37.3	18.8	6.9	11.6	– 0.9	– 0.9	0	0.1	– 0.4	– 0.6	0	0.2

Source: OECD, Taxing wages report.

Table 15

Tax wedge on labour for the low-wage worker (67 % of APW) and its components

Single person without children, 67 % of APW	Total tax wedge 2005	Of which			Difference 2004-05				Difference 2000-04			
		Personal income tax	Social security contribution employee	Social security contribution employer	Total tax wedge	Personal income tax	Social security contribution employee	Social security contribution employer	Total tax wedge	Personal income tax	Social security contribution employee	Social security contribution employer
AT	42.5	6	14	22.6	– 0.9	– 0.9	0	0	0.2	1.2	0.2	– 1.2
BE	49.1	16.8	10.3	22	0.2	0	0.1	0.1	– 2.4	– 0.4	0.3	– 2.3
CZ	42.1	6.9	9.3	25.9	0.2	0.2	0	0	0.5	0.5	0	0
DE	46.7	12.2	17.3	17.3	– 1.1	– 1.1	0	0	– 0.7	– 1.2	0.2	0.2
DK	39.3	26.7	11.8	0.8	0	0.1	– 0.1	0	– 1.9	– 1	– 1.1	0.1
EL	34.4	0	12.5	21.9	0	0	0	0	– 1.1	– 1.2	0.1	0.1
ES	35.7	7.4	4.9	23.4	0.6	0.6	0	0	0.5	0.5	0	0
FI	39.5	15.1	5	19.4	0.1	– 0.1	0.2	0	– 3.6	– 1.6	– 0.7	– 1.3
FR	41.4	9.7	10.8	20.9	– 0.9	0.3	0.2	– 1.4	– 5.1	0.7	1.1	– 6.8
HU	42.9	6.1	9.9	26.9	– 1.9	– 1.7	0	– 0.2	– 3.7	– 5	0.7	0.6
IE	19.9	5.9	4.3	9.7	– 0.6	– 0.7	0.1	0	2.4	– 3.7	4.2	1.9
IT	41.7	10	6.9	24.9	0.4	0.4	0	0	– 1.7	– 1.2	0.1	– 0.6
LU	29.8	5.5	12.2	12.1	0.6	0.3	0.1	0.1	– 3.3	– 2.9	– 0.2	– 0.2
NL	41.3	3.5	23.5	14.3	0.8	0.6	0.2	0	– 1.5	– 1.6	– 0.3	0.4
PL	42.4	4.2	21.3	17	0.3	0.1	0.2	0	0	– 0.5	0.5	0
PT	31.7	3.6	8.9	19.2	– 0.7	– 0.7	0	0	– 0.8	– 0.8	0	0
SE	46.5	16.7	5.3	24.5	– 0.6	– 0.5	0	– 0.1	– 1.5	– 1.4	0	– 0.1
SK	35.3	3.9	10.6	20.8	– 4.4	0.2	0.7	– 5.3	– 0.9	– 0.6	1.2	– 1.6
UK	29.9	13.7	7.5	8.7	0.2	0.1	0.1	0.1	1.3	0.2	0.6	0.6
US	26.7	12	7.3	7.3	0	0	0	0	– 0.6	– 0.5	0	0
CH	26.7	6.8	10	10	0.1	0.1	0	0	– 0.7	0.1	– 0.4	– 0.4
NO	34.3	15.8	6.9	11.6	– 0.8	– 0.8	0	0.1	0	– 0.2	0	0.2

Source: OECD, Taxing wages report.

A finer sectoral breakdown shows that the pick-up in 2005 was caused by the development of labour costs in trade-related services (wholesale and retail trade, transport, information and storage and less so in hotels and restaurants, real estate and business services) while hourly labour costs in financial intermediation continued to decelerate.

- The acceleration of labour costs in the service sector is also visible, although much smaller, if compensation per employee is looked at. This suggests that the acceleration is not driven by a shift towards fewer hours worked for the same increase of pay as in the year before. In this case, compensation per employee should have decelerated.

- It would also be indicative of a trend reversal if the acceleration in sectoral hourly labour costs was widespread across countries. Indeed, it was shared by 5 out of the 7 euro area countries for which sectoral data is available to date. For two of them, the acceleration can be considered a correction from extraordinary low pay increases the year before, namely from 0.1 % to 0.8 % in Germany, and from minus 2.8 % to plus 5.3 % in Austria.

The convergence of wage growth in manufacturing and services in 2005 suggests that the differential observed in 2004 was caused by special factors, but did not represent a lasting decoupling of sectoral wage developments. On average 1999-2005, hourly labour cost growth in market services was 3.2 %, the same rate as in the manufacturing sector. The origin for the persistently high differential between service inflation and goods inflation ([1]) cannot be found in differing labour cost growth between manufacturing and services but seems related to the lower productivity growth in services than in manufacturing ([2]). Therefore, wage growth in services appears much less aligned to productivity than wage growth in manufacturing, creating upward pressure on service prices in the euro area.

Country-specific developments

Differences in wage growth across Member States have remained pronounced in 2005. The 2.0 % increase of compensation per employee in the euro area must be seen against a range from 0.2 % in Germany to 6.1 % in Greece. The historically low rate of a 2 % increase in nominal compensation per employee in the euro area needs to be seen in conjunction with the very low wage growth recorded in Germany. Excluding Germany from the euro area aggregate would yield a growth rate around 3 % in 2004-2005.

- As regards Germany, the low rate means the continuation of a trend. The country had the lowest wage growth of all euro area Member States in each year since the beginning of the euro area, except 2001, when wage growth was lower in Austria ([3]).

- The highest wage growth has been recorded in Ireland and Greece, which is also a continuation of over-proportionally high wage growth in both countries.

- In terms of hourly wage growth in 2005, there is a clustering of countries in a quite narrow range 2.8 % to 3.1 %, encompassing Spain ([4]), Belgium, Finland, Italy, Portugal and France.

The central insight of no acceleration in wage growth in the euro area does not depend on extreme observations. The median of the euro area Member States indicates no acceleration in 2005. The same message emerges from an aggregate of the euro area excluding Germany, Ireland and Greece (see Graph 22) ([5]).

Wage growth decelerated in 2005 in the majority of Member States and the deceleration in these countries was on average stronger than the acceleration in those where wage growth picked up. Portugal was the only country that had an acceleration of hourly wage growth in 2005 of

([1]) In the euro area, average services inflation has been 2.3 % since 1999, compared to 0.7 % for non-energy industrial goods.

([2]) It appears as if high productivity growth in some service sectors such as financial intermediation and communication is overcompensated by low or even negative productivity growth in some other service sectors, for example hotels and restaurants, community social and personal services. Lower productivity growth in services than in manufacturing is usually attributed to a higher labour-intensity of production as well as to less competition, in particular less exposure to international competition.

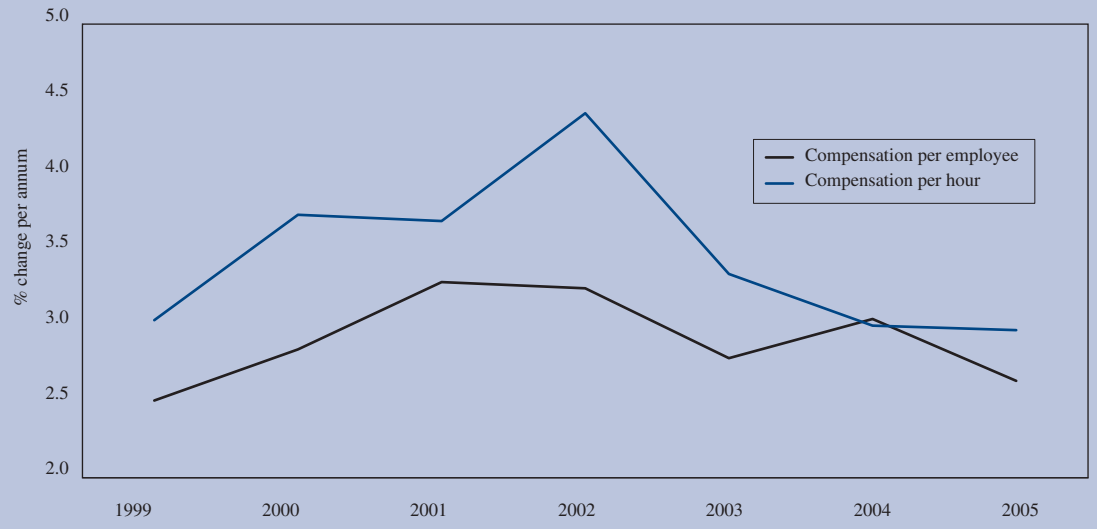
([3]) The growth rate of labour costs in Germany in 2004 and 2005 is distorted because of a composition effect. Labour market reforms made it more attractive to accept a low-wage job while at the same time, but not necessarily causally linked, the number of employees in normal jobs, i.e. contributing to the social security system, declined. Despite this effect, the German wage growth was very likely the lowest among the euro area Member States.

([4]) Somewhat odd appears the increase in hourly wages of less than 3 % and of compensation per employee of close to 2.5 % in Spain in 2005. According to the Labour cost index, hourly wage growth has decelerated to 3.7 % in 2005 from 4.1 % in 2004.

([5]) It also holds for a euro area aggregate excluding Germany.

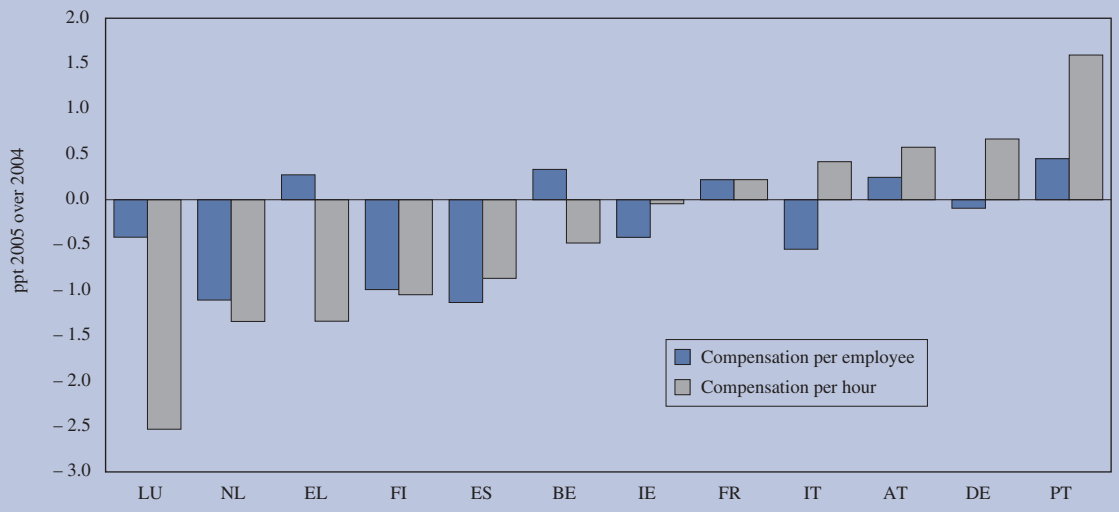
more than 1 percentage point whereas decelerations by a similar or larger amount were observed in Luxembourg, the Netherlands, Greece and Finland. Moreover, changes to hours worked mattered as evidenced by the observation that among those 5 countries where the growth of compensation per employee accelerated, there were 2 in which the growth of hourly compensation decelerated. These were Greece and Belgium.

Graph 22: **Wage growth in the euro area, excluding DE, EL and IE**



Source: Commission services.

Graph 23: **Acceleration in wage growth, euro area Member States**



Source: Commission services.

Convergence of wage growth across the euro area Member States

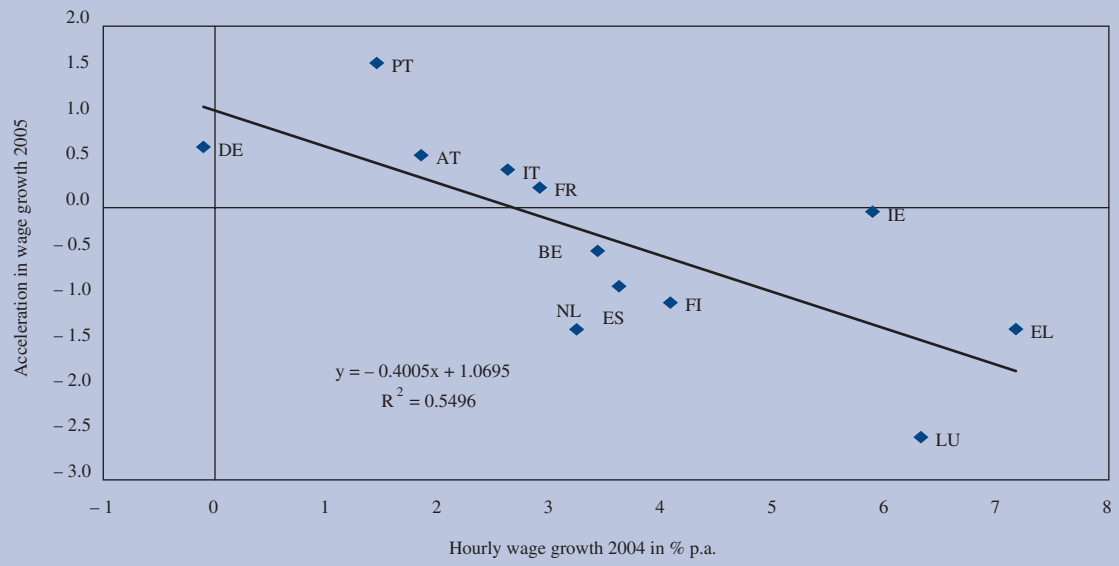
Convergence of wage growth has implications for the role of wages to contribute to rebalancing differences in economic performance. But it may also imply converging inflation across Member States in dependence on the extent differences in wage growth determine inflation differences. This issue is dealt with more in-depth in the special focus section of this report. As regards developments in 2005, it can be noted that there are some signs of convergence in the growth rate of nominal compensation. Evidence is much weaker for convergence in the growth rates of either nominal or real unit labour costs. In a longer term perspective, there are also indications of convergence in wage growth for some countries but not for the euro area as a whole.

Broadly speaking, wage growth accelerated in those countries in 2005, in which wage growth had been low the year before and vice versa. Evidence of convergence in wage growth among the euro area Member States is pronounced for hourly wages (Graph 24) and less so for wage growth per employee (Graph 25). For hourly data, the variation of wage growth in 2004 explains 50 % of the cross country variation in the acceleration of wage growth. When using per employee data, this is only the case if the observations for Germany, Ireland and Greece are removed from the sample ([1]).

Convergence of wage growth is, however, not observable if convergence indicators such as the standard deviation of growth rates across countries or the range of wage growth are used (Graph 26 and Graph 27). The standard deviation shows no clear trend neither for compensation growth per employee nor per hour worked. The width of 6 percentage points of the range between the highest and the lowest rate of labour cost growth in 2005 was very close to the average range 1999-2004. The lowest range so far has been 4.1 % in 2003. Since then it has widened again. In terms of hourly compensation growth, the range narrowed in 2005, fluctuating around its 1999-2004 average. There is no visible trend in the range of either of the two series.

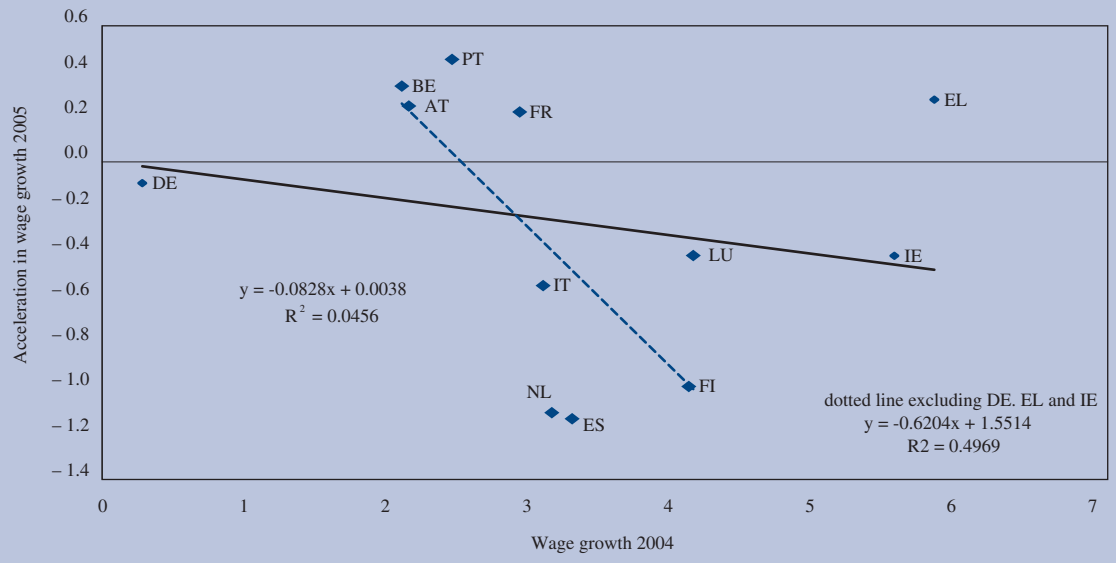
([1]) Similar graphs relating the growth of nominal and real unit labour costs in 2004 with their acceleration in 2005 does not yield a significant negative slope term that would indicate convergence.

Graph 24: **Convergence of hourly labour cost growth across Member States**



Source: Commission services.

Graph 25: **Convergence of per person labour cost growth across Member States**



Source: Commission services.

Graph 26: **Compensation per employee, range and standard deviation among euro area Member States**

Source: Commission services.

At first sight, the observation of a constant range of wage growth among the euro area Member States stands in contrast to the issue of wage convergence, because convergence usually implies a declining range over time. In order to resolve this apparent puzzle, Graph 28 lists a ranking of Member States, showing the average wage growth in 1999-2005 and the dispersion of the ranking around this average.

Graph 27: **Compensation per hour, range and standard deviation among euro area Member States**

Source: Commission services.

It turns out that Greece and Ireland on the one hand as well as Austria and Germany on the other hand had both polar positions and a small standard deviation. This means that they had the highest and lowest rate of wage growth, respectively, in most years. Average rankings are closer and standard deviations higher for the other 8 other Member States, suggesting that convergence of wage growth may have been largely restricted to these countries, while there are persistent differences in wage growth relative to the euro area in the other four. The notion of convergence of wage growth for a number of countries is also confirmed by the development over time of the standard deviation of wage growth of 8 euro area Member States, i.e. excluding Ireland, Greece, Germany and Austria.

5.1.2. Assessment of the impact of labour costs developments

The standard wage rule implies that wages could grow as fast as the sum of price increases and productivity growth, taking labour market conditions into account. Since the labour market situation in the euro area as a whole has not deteriorated in 2005, one would have expected that workers draw some benefits from the recorded improvement in productivity. Since nominal wage growth did not exceed inflation in 2005 while productivity growth was positive, they have not. The growth of real unit labour costs was minus 0.5 % in 2005, leading to the continuous decline in the wage share presented above.

Real wage growth

The annual growth rate of compensation per employee was the same as that of consumer price inflation, leading to virtually unchanged real wages in the euro area 2005. Adjusting nominal wages for the increase in the HICP yields a decline in real compensation per employee. While the amount of the decline is marginal, it appears remarkable that there has not been any notable increase in real wages for four years in a row in the euro area, i.e. since 2002.

When interpreting the growth of real wages, it is important to note that price developments over the last years have been strongly driven by soaring energy prices. These represent a change in relative prices that temporarily increase the overall rate of inflation and there is currently no standard procedure for controlling this effect. A possibility would be to deflate the growth of nominal wages with a price indicator that excludes the energy component. Such an indicator is available for the HICP but not for the price deflators from the national accounts.

The use of alternative price deflators confirms the picture of very low real wage growth, albeit suggesting that small increases occurred each year. Since non-energy consumer price inflation declined in 2005 increased by 0.5 %, which is the highest rate since 2001. Whether a price index that excludes several items could be a useful

Table 16

Compensation per employee

	Annual percentage change										
	2000	2001	2002	2003	2004	2005	2006 (1)	05-Q1	05-Q2	05-Q3	05-Q4
BE	2.1	3.6	3.8	1.7	2.1	2.4	2.4	1.5	2.2	2.1	3.7
DK	3.7	4.4	3.8	3.8	2.1	3.7	3.8	4.1	4.8	2.9	3.6
DE	1.9	1.6	1.4	1.5	0.3	0.2	0.2	0.1	0.4	0.4	0.1
EL	6.0	5.7	10.0	4.6	5.8	6.1	5.9	:	:	:	:
ES	2.8	3.6	3.3	3.3	3.3	2.1	3.3	0.6	3.3	2.5	3.2
FR	2.4	2.4	3.4	2.8	3.4	2.8	3.3	:	:	:	:
IE	8.0	7.4	5.1	5.6	5.5	5.1	5.0	:	:	:	:
IT	2.2	2.9	2.2	2.4	3.1	2.5	2.4	1.8	0.9	1.2	3.9
LU	5.3	3.5	3.9	1.8	4.1	4.6	3.5	:	:	:	:
NL	4.7	5.0	4.3	3.8	3.1	2.0	1.8	2.2	2.2	1.9	1.9
AT	2.2	1.2	2.1	1.9	2.1	2.4	2.8	2.5	2.5	2.4	6.4
PT	6.7	5.3	4.4	3.1	2.4	2.9	2.7	:	:	:	:
FI	3.7	4.7	1.8	2.8	3.5	2.9	2.8	2.6	2.4	5.8	5.0
SE	7.5	4.5	2.9	3.0	3.7	3.4	3.7	3.4	3.4	3.7	4.6
UK	5.9	5.0	3.6	4.8	4.3	4.4	4.3	4.4	4.2	4.5	4.3
CY	2.2	1.0	4.1	9.3	3.5	4.4	3.5	0.9	1.2	3.2	2.6
CZ	5.4	7.4	6.0	7.7	6.2	4.7	4.8	4.7	5.0	6.7	5.4
EE	8.7	7.8	10.4	10.3	11.1	11.7	11.3	9.8	9.9	12.6	15.1
HU	15.6	16.1	12.6	9.5	9.8	9.1	5.3	:	:	:	:
LV	6.9	3.4	4.0	11.1	15.1	14.4	15.0	13.9	13.8	15.0	13.7
LT	1.3	3.8	5.1	8.9	8.2	8.7	8.9	6.1	7.4	8.1	12.8
MT	2.1	4.8	2.2	3.3	1.6	1.4	2.9	-0.3	1.9	0.9	0.5
PL	11.0	10.1	2.3	1.8	1.9	0.5	4.4	:	:	:	:
SK	11.9	6.3	9.3	6.0	10.8	9.2 (1)	7.3	3.9	4.4	5.9	6.1
SI	12.4	11.6	8.5	7.8	7.7	5.0	5.2	:	:	:	:
EU-25	4.1	3.9	3.2	3.1	2.9	2.5	2.8	1.8	1.7	:	:
Euro area	2.6	2.8	2.8	2.5	2.3	1.9	2.2	1.3	1.4	:	:

(1) Commission spring 2006 forecast

signpost depends on the assumption on to what extent changes in relative prices should have an impact on the benchmark. Using the rate of inflation excluding the energy price component for the calculation of real wages assumes that households accept some deterioration in purchasing power as their contribution to cope with high energy prices. Applying an all-encompassing price index implies that households' purchasing power should remain unaffected by changes in relative prices, although they may lead to a temporary increase in overall inflation (1).

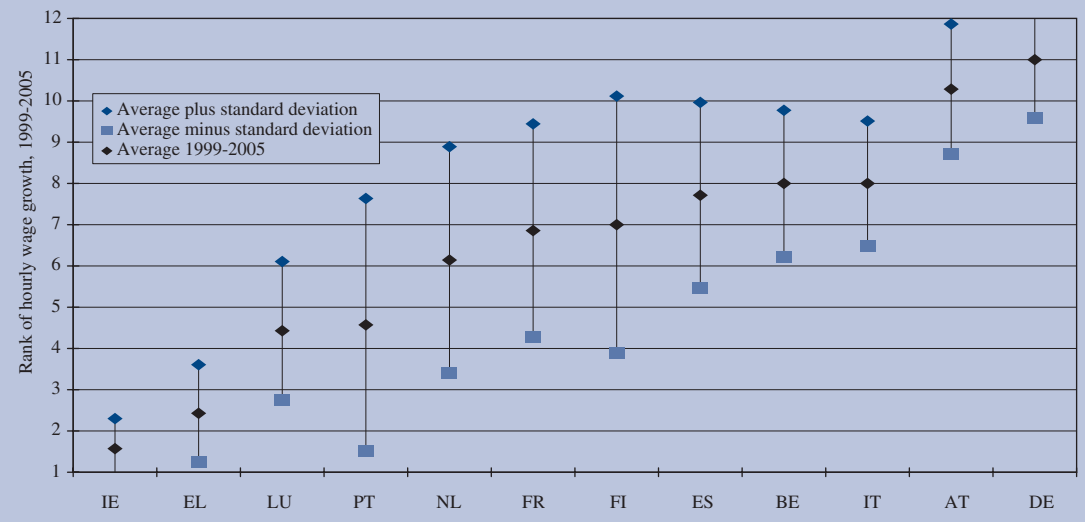
(1) In a mechanical way, this is the case because the weights of the different goods are adjusted with a delay. Therefore, the price index does not capture the effect of higher energy prices on the structure of consumption.

Differences across the euro area Member States in real wage growth 2005 were marked, varying from -1 % in Spain and Germany to rates above +3 % in Ireland. Real wage growth was higher when nominal wages are deflated with non-energy inflation than with headline inflation in almost all countries. The exceptions were Luxembourg and France, where both were equal. In some countries, e.g. Belgium, Portugal, the Netherlands, Greece and Finland, the difference between both concepts was substantial.

Disposable income and consumption

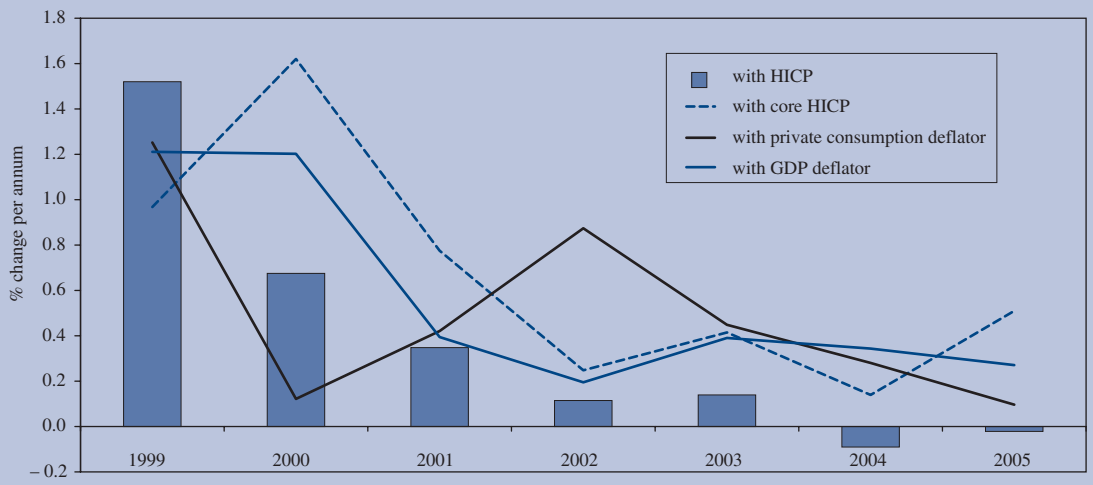
Households' purchasing power depends not only on price developments, but to an important extent on employment performance. Whereas it is often argued that the moderate

Graph 28: **Ranking of Member States in terms of wage growth 1999-2005**



Source: Commission services.

Graph 29: **Real wage growth with different price deflators, euro area**



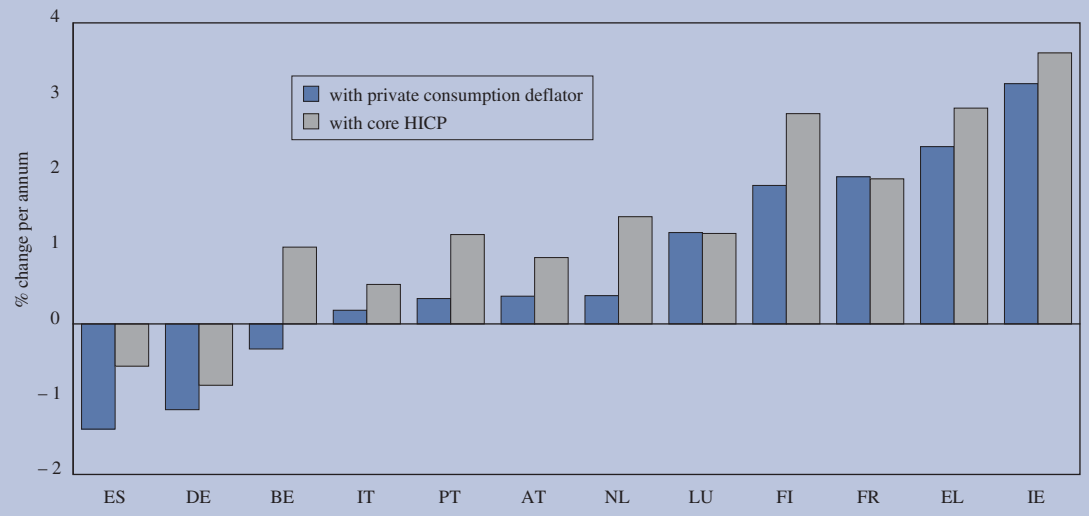
Source: Commission services.

increase in wages and especially in real wages contributed to the weakness of private consumption in the euro area, it would be more appropriate to attribute this role to the real wage bill, which is the product of wages per employee and the number of employees. The graphs below demonstrate a relatively strong link between the variation in real private consumption growth among euro area Member States and the growth rate of the real wage bill in 2005. Almost 2/3 of the variation in real private consumption growth could be attributed to cross-country differences in the increase of the wage bill. Therewith in contrast, the growth in real compensation per employee is very weakly linked to private consumption growth. The fit would improve when the outliers ES and EL are deducted from

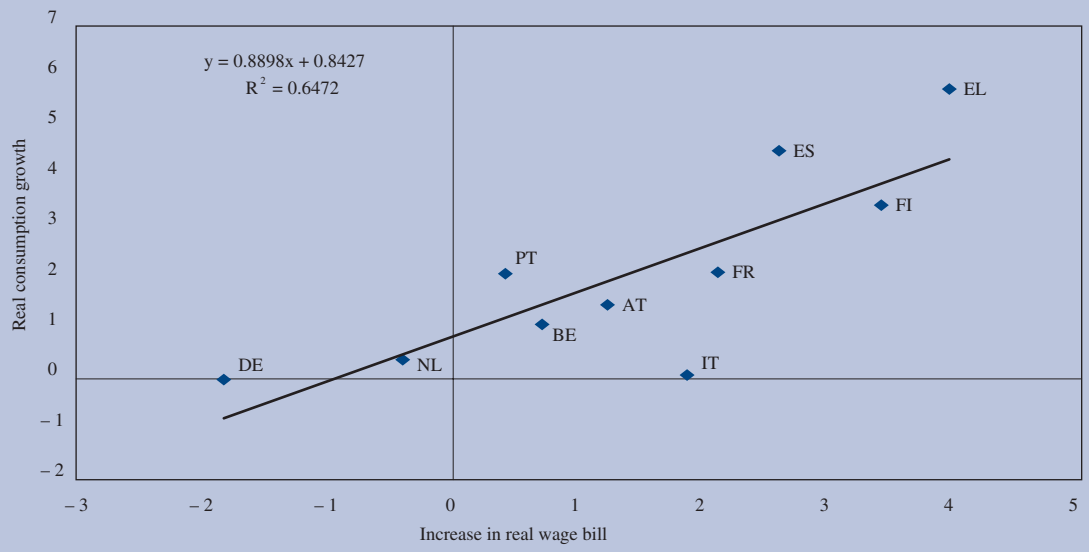
the sample, but remains far below the fit with the wage bill ([1]). The cross-country perspective reveals that households' real consumption growth in 2005 was stronger correlated with employment growth in 2005 than for real wage growth per employee. The trend line with employment growth explains 56 % of the variation, compared to 0.16 for real wage growth per employee and 64 % for the real wage bill.

([1]) The same message emerges with wages and salaries instead of compensation as relevant wage variable. The link with private consumption is, however, weaker for this alternative wage variable than for compensation.

Graph 30: **Real wage growth 2005 with different deflators, euro area Member States**

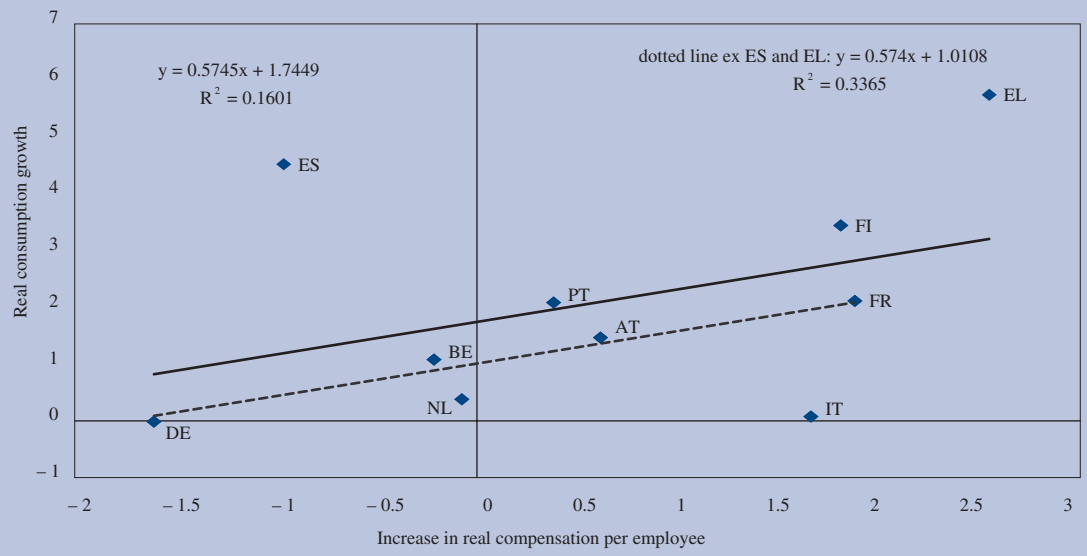


Graph 31: **Real private consumption growth and increase of the real wage bill 2005, euro area Member States**



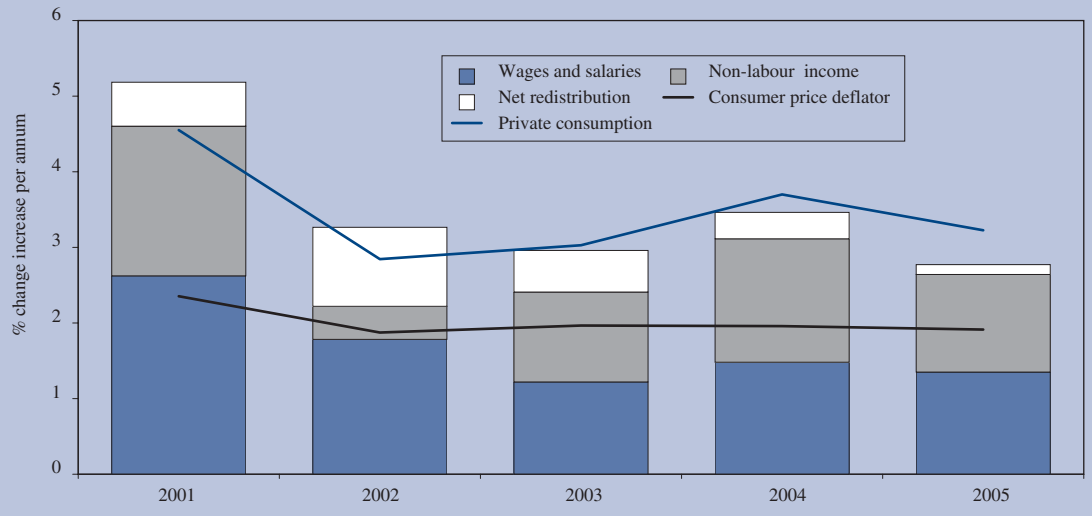
Note: No observation for IE and LU.
Source: Commission services.

Graph 32: **Real private consumption growth and increase of the real wage per employee 2005, euro area Member States**



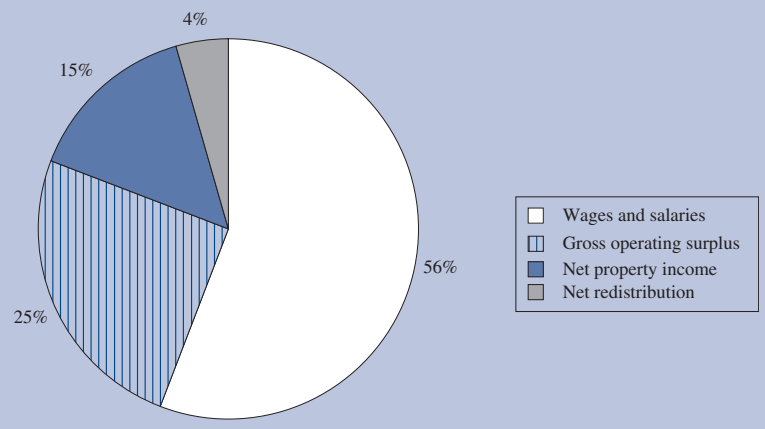
Note: No observation for IE and LU.
Source: Commission services.

Graph 33: **Contribution to the increase of gross disposable income, euro area**



Note: Euro area excluding IE and LU. Net redistribution includes employers' social security contributions.
Source: Commission services.

Graph 34: **Composition of gross disposable income 2005, euro area**



Note: Euro area excluding IE and LU. Net redistribution includes employers' social security contributions.
Source: Commission services.

Concerning the weakness of private consumption in the euro area in 2005, it is apparent that all three components of gross disposable income contributed to it ([1]). The contribution of the wage bill to the increase of disposable income deteriorated relatively little. Most of the deceleration in disposable income growth is due to a smaller increase of non-labour income than in the year before, especially of households' gross operating surplus. This item accounted for a quarter of households' gross disposable income in 2005, compared to a share of 56 % of wages and salaries (see Graph 34**).**

Productivity and unit labour costs

Since wage growth and inflation were almost equal in the euro area in 2005, all productivity increases translated 1:1 in declining real unit labour costs ([2]). Indeed, real unit labour costs have not increased in the euro area any year since the introduction of the euro in 1999. The combination of a weakening in economic growth and a gradual acceleration in employment growth in 2005 means that labour productivity growth decelerated and in consequence real unit labour costs declined by less than in the previous year. This behaviour of labour productivity seems to be largely a reflex of cyclical movements, namely the lagged response of employment in 2005 to the acceleration of GDP growth in 2004. Therefore, it appears more appropriate to assess the change in unit labour costs with respect to trend productivity growth rather than actual labour productivity growth.

The change in trend unit labour costs suggests that a further, albeit small, deceleration took place in 2005, which largely reverted the relation between actual and trend unit labour costs recorded in 2004. Overall, the reading of the trends suggests that real unit labour costs in the euro area remained on their downward path whereas nominal unit labour costs have remained comfortably below the 2 % ceiling that is considered consistent with the upper range of the ECB's inflation target.

Graph 35 illustrates that trend unit labour costs and core inflation moved relatively closely together over the last years, with trend unit labour costs being less volatile as well as leading core inflation by a year. If this relationship continues to hold in 2006, it suggests a further fall in core inflation. Indeed, core inflation in the first quarter 2006 was a mere 1.3-1.4 % compared to 1.6-1.7 % a year earlier. Though HICP inflation is projected to remain unchanged at 2.2 % on average in 2006 and 2007, this is

([1]) There is currently no data on households' net disposable income in 2005 for any euro area Member State except Germany and Finland. In both countries the ratio of gross to net disposable income was the same in 2005 as in 2004. The ratio was also constant between 2000 and 2003 in the EUR-10 (excluding IE and LU). Note that taxes on income and wealth are already deducted from gross disposable income, belonging to the aggregate of net redistribution together with transfers paid, transfers received and employers' social security contributions.

([2]) The level of unit labour costs is conventionally expressed relative to a base year, meaning that its change over time is informative rather than its level. The absolute value of real unit labour costs is equal to the wage share (in GDP prices).

Table 17

Real unit labour costs

	Annual percentage change										
	2000	2001	2002	2003	2004	2005	2006 (1)	05-Q1	05-Q2	05-Q3	05-Q4
BE	– 1.5	2.2	0.3	– 1.0	– 2.1	– 0.1	– 0.9	– 0.6	– 0.3	0.2	– 0.1
DK	– 2.4	1.9	0.9	– 0.1	– 1.9	– 1.4	– 2.1	1.5	– 2.6	– 3.7	– 0.3
DE	1.3	– 0.4	– 0.7	– 0.4	– 1.7	– 1.4	– 1.6	– 0.2	– 2.0	– 1.7	– 1.8
EL	– 4.2	– 1.6	2.1	– 2.2	0.6	0.0	0.6	:	:	:	:
ES	– 0.6	– 0.9	– 1.4	– 1.0	– 1.2	– 2.1	– 1.2	– 2.9	– 2.1	– 1.6	– 1.7
FR	– 0.3	0.3	0.6	– 0.1	– 0.6	0.0	0.3	:	:	:	:
IE	– 1.9	– 1.4	– 4.1	1.0	1.8	2.0	0.2	:	:	:	:
IT	– 1.4	0.1	0.2	0.9	– 0.6	0.7	– 0.5	1.7	– 0.1	– 0.5	0.9
LU	0.5	6.4	0.5	– 3.0	1.1	– 0.6	– 1.0	:	:	:	:
NL	– 1.1	0.1	0.9	0.7	– 0.9	– 1.0	– 0.9	– 0.3	– 1.4	– 1.0	– 1.3
AT	– 1.9	– 0.8	– 0.3	– 0.8	– 2.2	– 0.9	– 0.9	– 1.9	– 1.1	– 0.2	– 0.5
PT	1.4	1.3	0.1	1.1	– 1.3	– 0.2	0.3	:	:	:	:
FI	– 1.6	0.5	– 0.1	1.5	– 0.1	0.9	– 0.1	0.2	– 0.7	0.3	0.4
SE	4.1	3.2	– 0.6	– 1.0	– 1.4	0.2	0.3	1.5	– 0.8	– 0.3	0.8
UK	1.7	1.3	– 0.7	0.3	0.0	1.5	0.1	1.2	1.3	2.3	1.0
CY	– 4.1	– 3.9	0.8	3.2	– 1.3	– 0.7	– 1.1	– 2.9	– 1.5	0.1	– 0.9
CZ	– 0.4	0.2	3.2	0.4	– 1.9	– 0.3	– 1.1	– 2.5	– 1.3	0.1	– 1.9
EE	– 5.8	– 3.3	– 0.1	2.8	0.0	– 2.3	– 0.1	– 0.4	– 3.3	– 3.8	– 0.8
HU	1.2	3.1	– 0.2	0.6	– 0.4	2.3	– 1.4	:	:	:	:
LV	– 6.5	– 3.9	– 4.2	1.9	0.3	– 3.3	– 0.2	0.5	– 5.6	– 3.9	– 5.1
LT	– 8.1	– 5.3	2.2	1.9	– 1.7	– 2.0	– 1.4	– 1.4	– 4.5	– 2.9	0.9
MT	– 3.4	4.1	– 0.6	2.5	0.7	– 2.2	– 1.9	0.9	– 1.1	– 4.5	– 3.8
PL	– 2.3	2.9	– 4.3	– 3.5	– 5.7	– 3.2	1.9	:	:	:	:
SK	– 0.7	– 1.1	– 0.1	– 1.3	0.0	2.7 (1)	– 1.5	– 1.7	– 1.5	– 0.8	– 0.9
SI	3.3	0.4	– 1.3	– 1.0	0.6	0.8	– 0.7	:	:	:	:
EU-25	– 0.1	0.3	– 0.4	– 0.2	– 1.1	– 0.4	– 0.5	– 0.5	– 1.3	:	:
Euro area	– 0.4	– 0.1	– 0.2	– 0.2	– 1.1	– 0.7	– 0.8	– 0.2	– 1.3	:	:

(1) Commission spring 2006 forecast

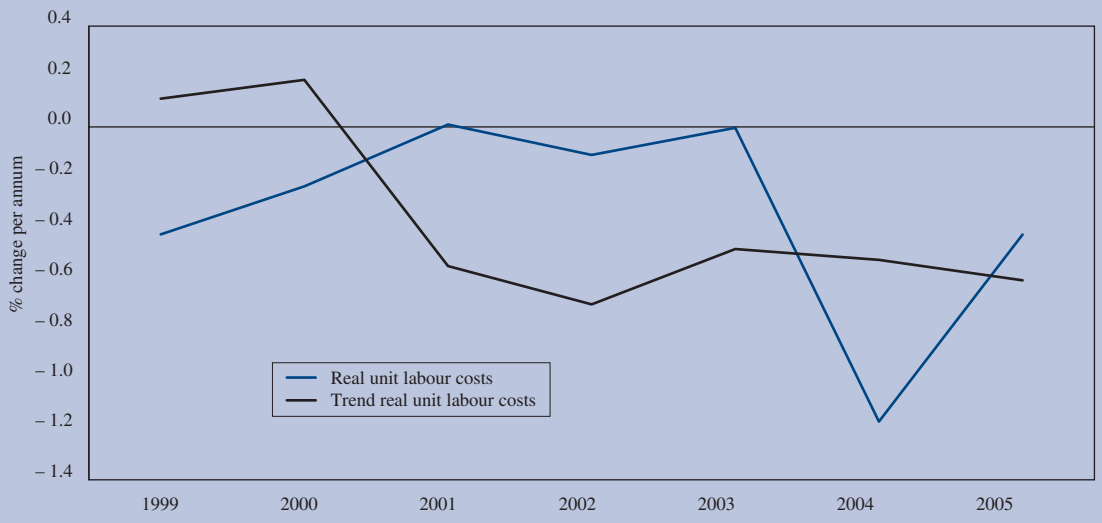
largely due to factors unrelated to labour costs, namely high energy prices in 2006 and the German VAT increase in 2007.

The use of trend unit labour costs instead of actual nominal unit labour costs has some implications on the consistency of unit labour cost developments in the Member States with the inflation ceiling. The change of actual nominal unit labour costs in 2005 implies that 8 of the 12 euro area Member States recorded an increase of more than 2 %, implying that the positive assessment of the labour cost pressure on inflation in the euro area as a whole would be caused by favourable developments in three countries only, namely Germany, the Netherlands and Austria. The reading from the increase in trend unit labour costs suggests a less alarming interpretation. Labour cost developments in five countries surpassed the 2 % ceiling. Four of them have already been highlighted in last year's Labour market review as being at risk of a steady erosion of their price and cost competitiveness. These were Greece, Ireland, Portugal and Italy. According to Graph 37, Spain did no longer belong to this group.

5.2. Catch-up countries outside the euro area

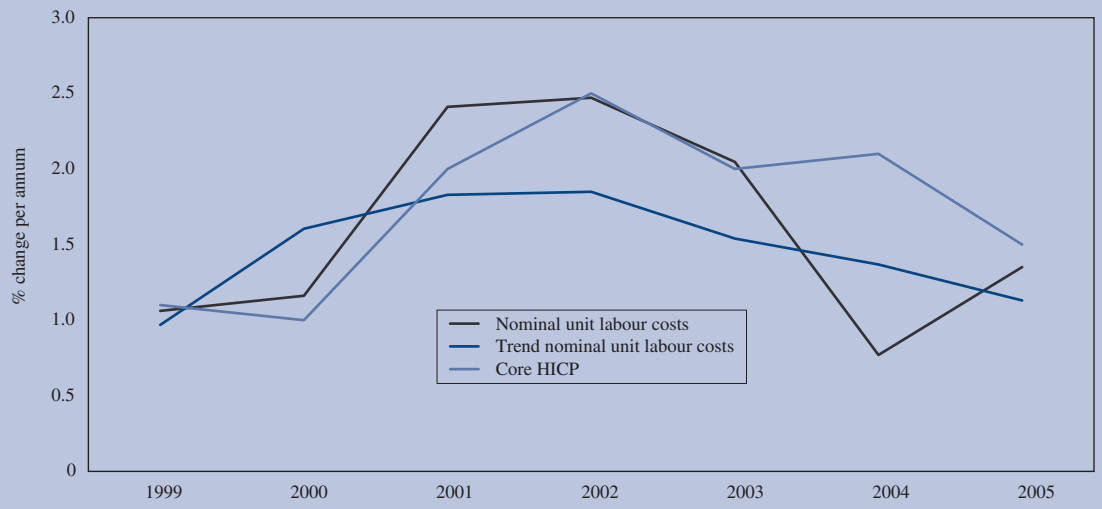
The 10 countries that joined the EU in 2004 share the feature of a substantially lower GDP per capita than the EU average. The 8 countries from central and eastern Europe (CEEC) exhibited strong economic growth over

Graph 35: **Real unit labour costs, euro area**



Note: Trend unit labour costs calculated with trend labour productivity, which was derived with a Hodrick-Presoctt filter.
Source: Commission services.

Graph 36: **Nominal unit labour costs, euro area**

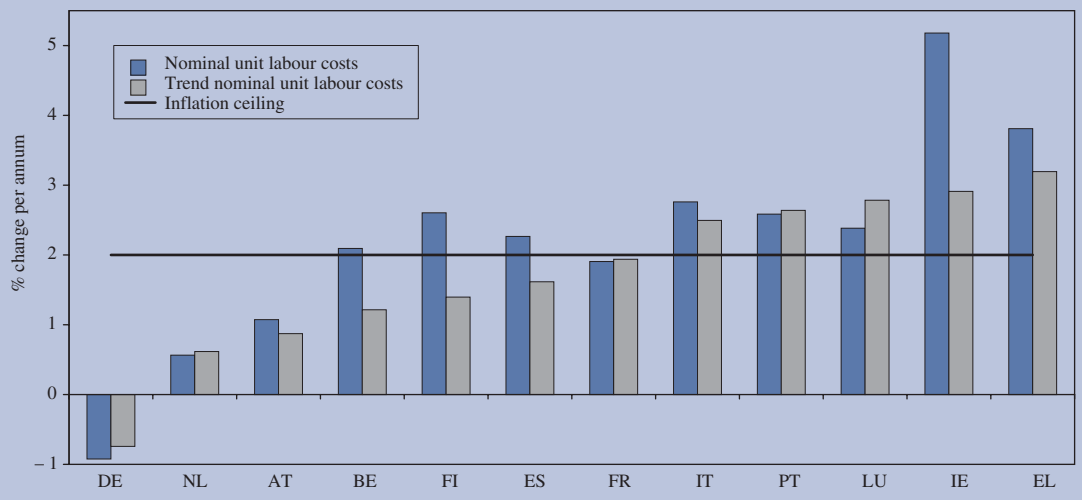


Note: Trend unit labour costs calculated with trend labour productivity, which was derived with a Hodrick-Presoctt filter.
Source: Commission services.

the last years and are forecast to continue catching-up to the EU. This structural force has been the dominating determinant of economic growth, while cyclical forces have been less important. Starting from a higher level of labour productivity than the CEEC, Malta and Cyprus have not witnessed a comparably dynamic economic growth ([1]). In the case of Malta, catch-up to the EU average would rely strongly on a higher utilisation of labour.

([1]) In both Malta and Cyprus, GDP per person employed was 82 % of the EU-25 average in 2005. This compares to an average of 52 % for all 10 new Member States.

Graph 37: **Nominal unit labour costs in Member States, 2005**



Source: Commission services.

Labour productivity is forecast to grow vigorously in all these countries, except possibly Malta, and this can be expected to result in strong increases in earnings. Key for the sustainability of their catch-up process will be that labour costs remain in line with productivity. If the expectation among wage-setters of continuously high wage growth became entrenched, there is a risk that in the future a cyclical slowdown in labour productivity growth would yield severe economic consequences in terms of higher inflation, higher unemployment and squeezed profit margins.

5.2.1. Aggregate developments

Developments in 2005

Nominal wages grew stronger in the catch-up countries than in the euro area in the last years and continued to do so in 2005. The highest rates of growth of compensation per employee were registered in the three Baltic countries. They were above 10 % in all of them. Hungary and Slovakia followed with increases of 9 % ([1]). At the lower end of the spectrum, wage growth in Malta and Poland was around the level seen in the euro area Member States. In both countries it accelerated from the very low rates recorded in 2004.

The high wage growth in most of the catch-up countries was in line with productivity and price trends in 2005. The increase in nominal unit labour costs, headline or adjusted for trend productivity, was below or close to 2 % in 5 of them. It was markedly higher in the three Baltic countries, Hungary and Slovakia. Among them, Latvia and Hungary were the countries with the highest increase in the consumer price deflator in the EU-25 in 2005 ([2]).

The very low increase in nominal unit labour costs in 2005 in some countries is to some extent caused by cyclical effects. This is evidenced by the observation that the growth rate of wages adjusted for the trend in labour productivity is markedly higher than unadjusted unit labour costs for example in the Czech Republic and Malta. However, it should be borne in mind that the trend series is based on data that starts in 1995 in many cases, i.e. capturing only one business cycle that was dominated by structural forces such as transformation to a market economy and rapid catch-up growth.

In terms of real unit labour costs, which is the relevant variable to assess the labour market impact of wage devel-

([1]) The number for wage growth in Slovakia used here stems from the ECFIN spring 2006 forecast. Note that it is not consistent with the Eurostat data on compensation of employees, which yields a much lower rate of wage growth per employee in Slovakia in some statistics.

([2]) There are significant differences in inflation trends across the three main price indicators, HICP, Consumer price deflator and GDP deflator. Independent from the indicator chosen, Latvia had the highest rate of inflation in the EU-25 in 2005 whereas the position of the other three catch-up countries with a high increase in nominal unit labour costs (Estonia, Lithuania and Hungary) differs across the indicators used.

opments, there are some other countries that deserve close monitoring than for nominal unit labour costs. The reason for the dissimilarity is largely to be seen in different price trends. Note that the price deflator used to calculate real unit labour costs is the GDP deflator, which is often dissimilar from the consumption deflator or the HICP ([1]). In Latvia, the wedge between high growth of nominal unit labour costs and shrinking real unit labour costs is due to high inflation. Both the GDP deflator and consumer prices increased by about the same amount. In Estonia and Lithuania, overall consumer price inflation accounts for only half of the wedge between the development of nominal and real unit labour costs. Both countries, and also Latvia, registered a high increase in the price of investment goods, which inflated the change in the GDP deflator but did not affect consumer prices ([2]).

Most countries exhibited falling real unit labour costs in 2005. The exceptions were Slovakia, Hungary and Slovenia. In all three countries, wage growth decelerated, but labour productivity decelerated more, leading to an increase of real unit labour costs. This development needs to be seen in context with an outstandingly high rate of labour productivity growth in 2004 and the forecast of somewhat higher rates of productivity growth in 2006.

A small increase in real unit labour costs was recorded in Poland, after three years of substantial drops in the order of around 5 % per annum. This implies that when the trend increase in labour productivity is taken into account, real unit labour costs have hardly increased. The opposite effect can be noted to have played a role in the Czech Republic. The small decline in real unit labour costs in 2005 changes into an increase of the same order of magnitude as the one in Slovenia, if wages are adjusted for trend productivity instead of actual productivity growth in 2005.

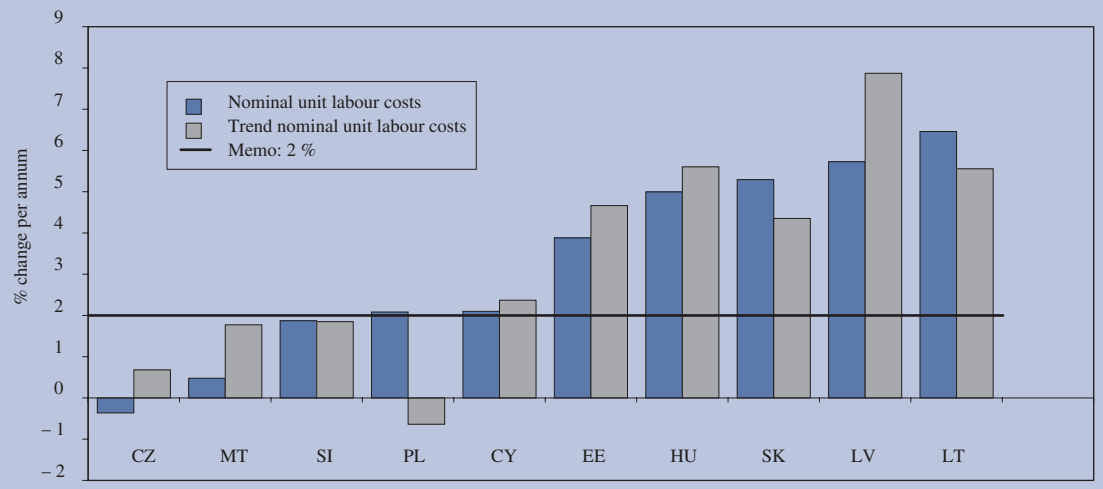
Acceleration of wage growth and convergence

Rather than looking at the rates of growth, it is interesting to analyse the change in the rate of growth from 2004 to 2005. Here a split of the catching-up countries is notable. Wages as well as nominal unit labour costs accelerated in 6 countries and decelerated in the 4 remaining countries. Large decelerations were recorded in Slovenia and, if unit labour costs is looked at, in the Czech Republic and Latvia. Lithuania exhibited a strong acceleration. The different signs of the change in unit labour costs and

([1]) Differences are usually marked in times of strong variations in exchange rates, which affect import and export prices, thus driving a wedge between GDP and consumption deflator.

([2]) It is not straightforward to relate the strong increase in the price of investment goods to economic conditions. In previous years, the price increase was relatively low despite strong investment growth. In Estonia, an increase in the taxes on production has contributed to the pick-up in investment prices.

Graph 38: **Unit labour costs in the new Member States, 2005**

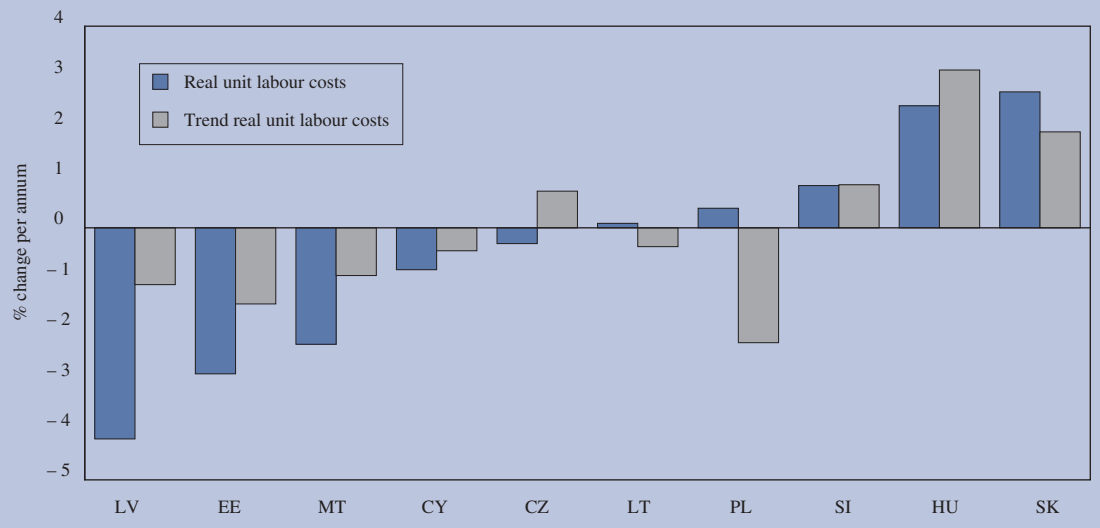


Source: Commission services.

trend unit labour costs in Malta and Poland are the result of volatile employment growth in the past, which makes it difficult to decide which of the two series allows for a more appropriate assessment.

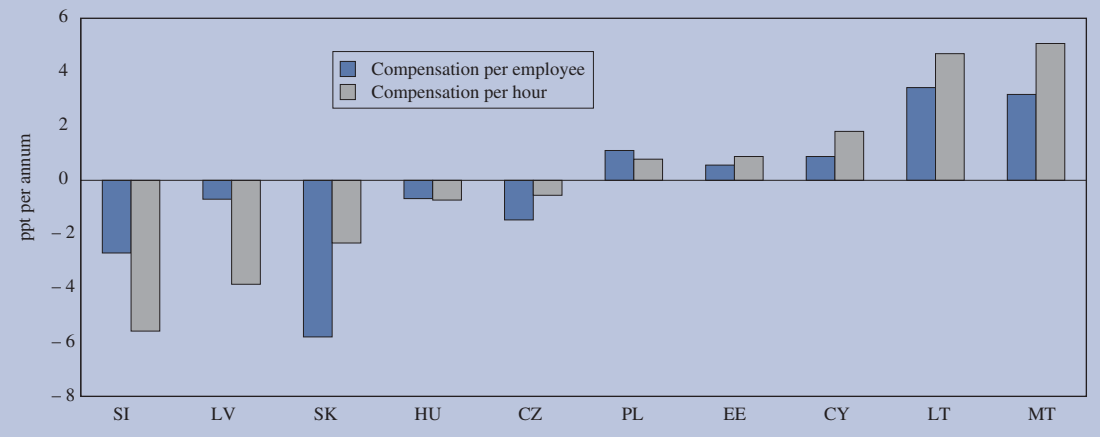
Graph 42 and Graph 43 suggest some convergence in wage growth among the catch-up countries. Those countries with the highest growth of wages and nominal unit labour costs in 2004 saw a strong deceleration in 2005 and vice versa. Latvia and Slovakia on the one hand and Malta and Poland on the other hand are the polar cases pertaining wage growth. Poland's strong acceleration in nominal unit labour costs in 2005 may be related to falling nominal unit labour costs in 2004. This is consistent with the observation of a much less pronounced increase in nominal unit labour costs in Poland if wages are adjusted for trend productivity (see Graph 38). Overall, the relationship between growth rates in 2004 and their

Graph 39: **Real unit labour costs in the new Member States, 2005**



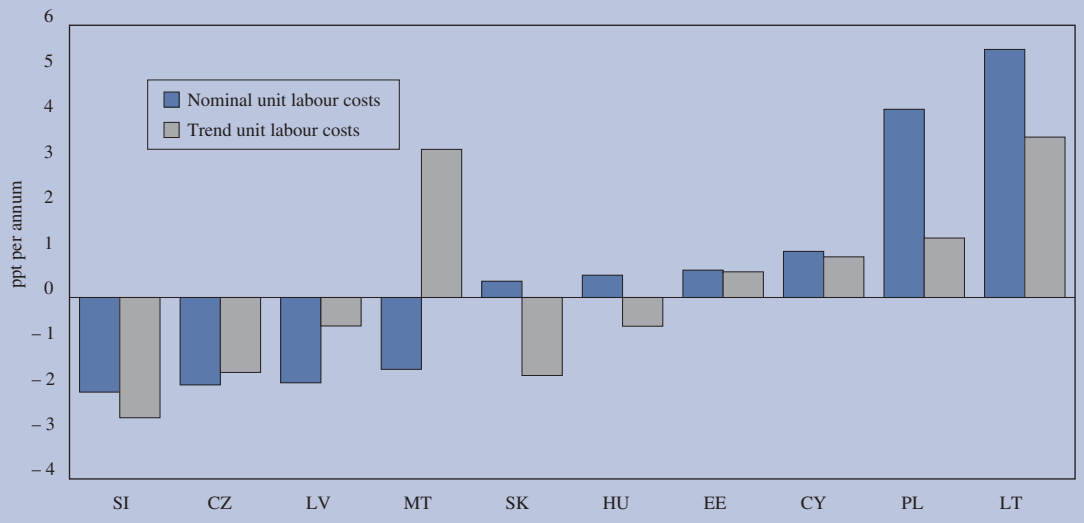
Source: Commission services.

Graph 40: **Change in nominal wage growth in the new Member States, 2005**



Source: Commission services.

Graph 41: **Change in the growth of nominal unit labour costs in the new Member States, 2005**



Source: Commission services.

change in 2005 is looser for the catch-up countries than for the euro area Member States, as indicated by the lower R2 of the trend line in the graphs (compared to Graph 24 and Graph 25). A large deviation from the trend line can be observed for Lithuania. The acceleration of both wage growth and the increase of nominal unit labour costs was out-of-portion with the country's low growth of unit labour costs in 2004. Slovenia, which is foreseen to join the euro area in 2007, had wage growth strongly coming down in 2005 from high wage growth the year before.

The impact of non-wage labour costs

The contribution of non-wage labour costs to labour cost developments is different across countries and in some cases across data sources. The available information indicates that the contribution of non-wage labour costs to the increase in labour costs has been small in all countries in 2005, with the exception of Slovenia and Hungary. In the former it added 1 ppt to the increase of hourly labour costs and in the latter it deducted 0.3 ppt from the 2005 increase in hourly labour costs. The small contribution of non-wage labour costs in 2005 is a continuation of the trend in previous years. Hungary is the only country with an average 2001-2004 contribution higher than 0.5 %, but even this contribution needs to be seen against a nominal increase of labour costs of more than 9 %. The small average magnitude of the contribution as well as different sign of the contribution in 2005 and the average 2001-04 in some of the catch-up economies suggests that the tool of adjustment of non-wage labour costs was not used in a systematic way to reduce labour cost pressure.

5.2.2. Catch-up growth and sectoral wage developments

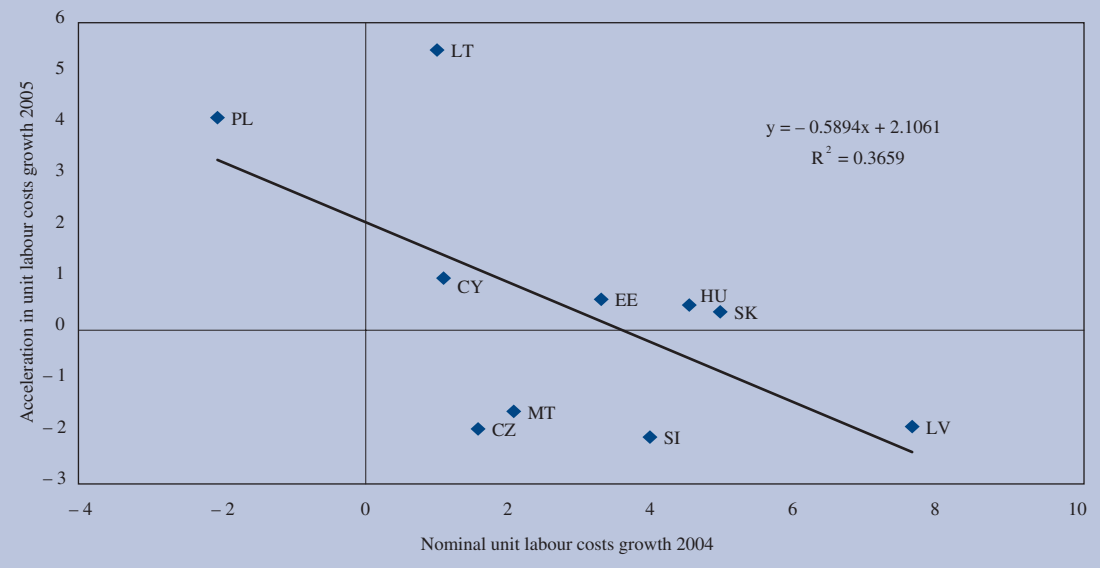
Traditionally, catch-up growth is largely driven by strong productivity improvements in the tradable sector. In the CEEC, average productivity growth in 1999-2004 was 4 percentage points higher in manufacturing than in services. If wage growth in the tradable and the non-tradable sector is similar, but productivity growth is less dynamic in the non-tradable sector, the so-called Balassa-Samuelson effect leads to high price increases in the non-tradable sector. Although the empirical literature points to a little impact of the Balassa-Samuelson effect on inflation trends in the CEEC, sectoral wage developments warrant some monitoring.

Wage growth in the manufacturing and the service sector has been closely correlated over the period 1999-2004 in most catch-up countries as Graph 45 reveals. The coefficient of correlation exceeds 0.9 for Latvia, Lithuania and Hungary. Interestingly, there is some correspondence between these countries and those highlighted with a strong growth in nominal unit labour costs. The correla-

Graph 42: **Nominal wage growth in the new Member States, 2004 and acceleration 2005**

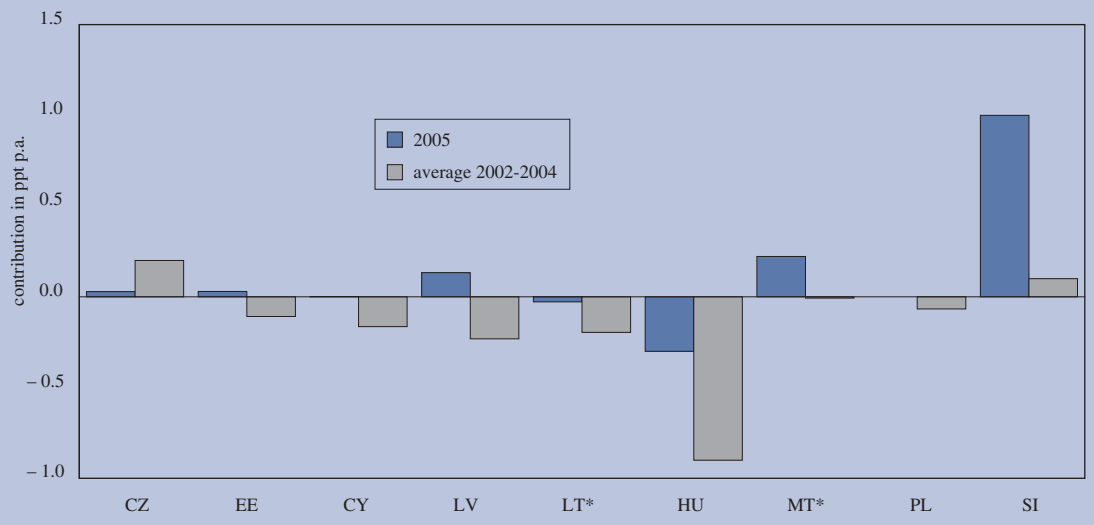
Source: Commission services.

Graph 43: **Growth of nominal unit labour costs in the new Member States, 2004 and acceleration 2005**



Source: Commission services.

Graph 44: **Contribution of non-wage labour costs to the increase of labour costs, catch-up countries**



Note: National accounts, except for Hungary, Poland and Slovenia, which are based on the LCI * indicates that numbers from the national accounts and the LCI differ notably. Slovakia is not shown because of unreliable data (see footnote 1, page 55).
Source: Commission services.

tion is generally higher for hourly labour costs as measured by Eurostat's Labour cost index than for compensation per employee ([1]). However, there is only one country, namely the Czech Republic, where both indicators suggest different conclusions.

A high correlation does not necessarily mean that wage growth is the same in both sectors. A more detailed analysis is, however, prevented by statistical problems. For example, comparing wage growth in both sectors yields equivocal results. Data on compensation per employee shows that manufacturing wages tend to grow faster than service wages. However, the opposite result appears if the hourly labour cost index is used. Given the large difference in productivity growth across sectors, unit labour costs has unambiguously grown faster in services than in manufacturing in all CEECs for which data is available. The wedge between the average increase of unit labour costs in services and those in manufacturing in 1999-2004 was above 5 % per annum in Latvia, Poland, the Czech Republic and Hungary. It was a narrow 1 % in Latvia and Slovakia. It is important to note that this wedge has been very volatile in the past and therefore the information from Graph 46 would need to be confirmed by further analysis.

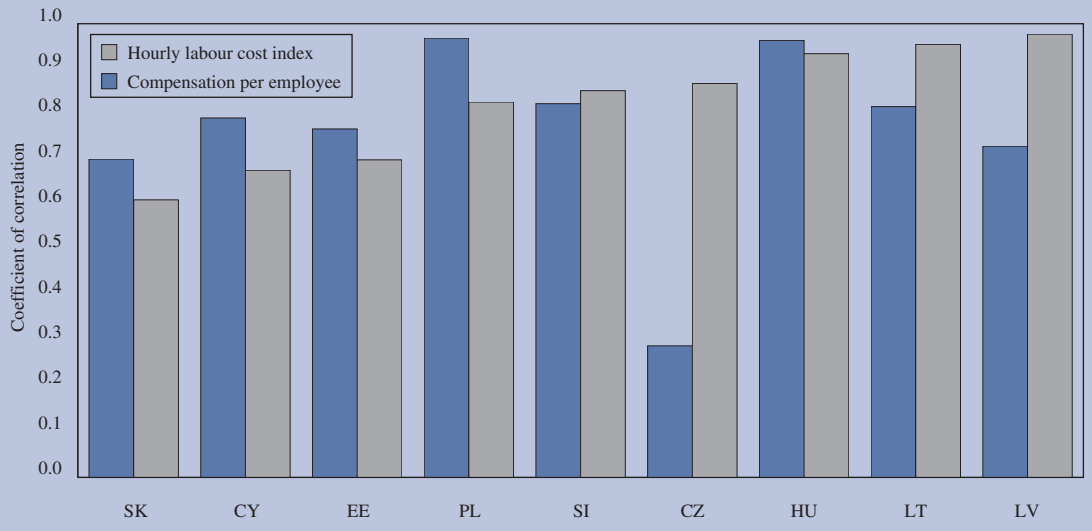
5.3. Other countries outside the euro area: Denmark, Sweden and the UK

Denmark, Sweden and the UK share the position of being outside the euro area and being endowed with a GDP per capita level well above the EU-25 average. Although these countries are quite different in terms of openness to external trade, the exchange rate regime in place and labour market institutions, they have in common that wage growth used to be higher than in the euro area. This was also the case in 2005. Nominal compensation per employee grew at 3.4 % in Sweden, 3.7 % in Denmark and 4.4 % in the UK. This means an acceleration from a rate of growth comparable to the euro area in Denmark and stable wage growth in the other two countries.

The comparison with the development of real unit labour costs in the euro area suggest that real unit labour costs tend to respond stronger to cyclical conditions in these three countries. They decelerated more markedly during the growth slowdown 2001-04 than in the euro area and in 2005 a stronger acceleration can be observed in all three countries. In the UK, real unit labour costs increased by 1.5 %, which is the second

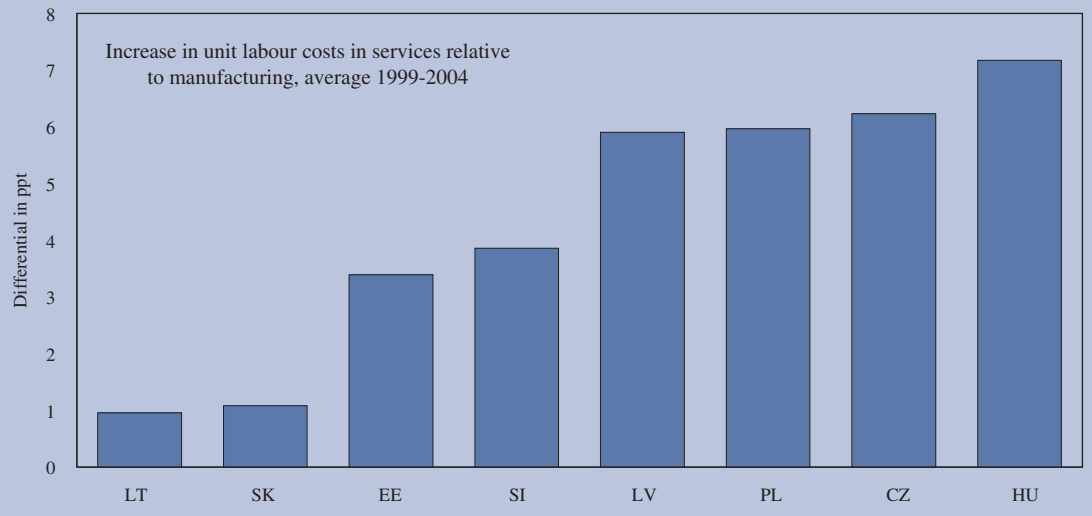
([1]) Note that Eurostat's labour cost index captures market-services only whereas compensation includes also non-market services.

Graph 45: **Correlation between wage growth in manufacturing and services in the new Member States, 1999-2005**



Note: Compensation in service wages lagged by 1 year for the Czech Republic, Estonia, Lithuania and Poland, LCI in services lagged by 1 year for Estonia. Annual observations.
Source: Commission services.

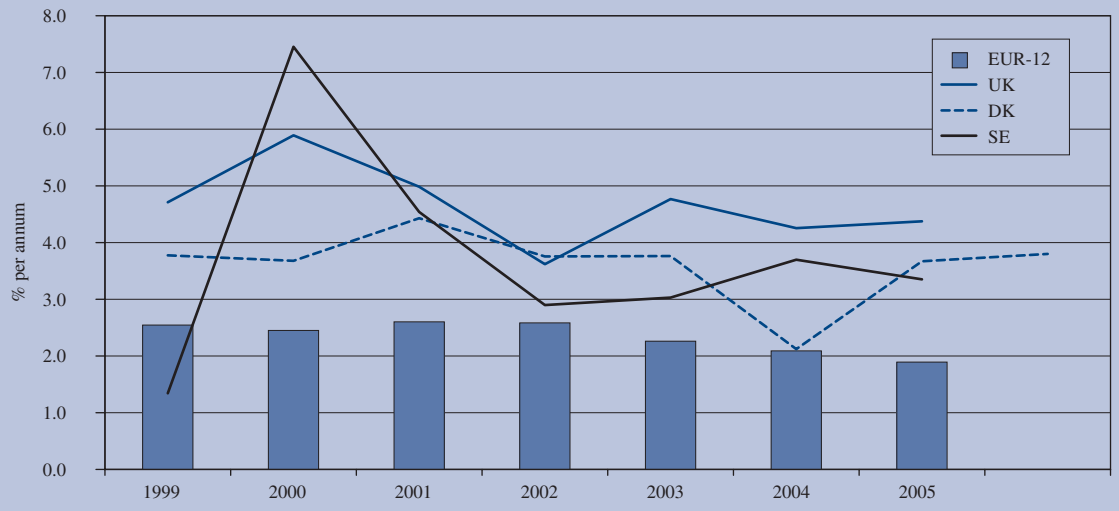
Graph 46: **Wedge between the increase in nominal unit labour costs in services and manufacturing in the new Member States, 1999-2004**



Note: 1999-2002 for Hungary and Poland, 1999-2003 for Estonia.
Source: Source: Commission services.

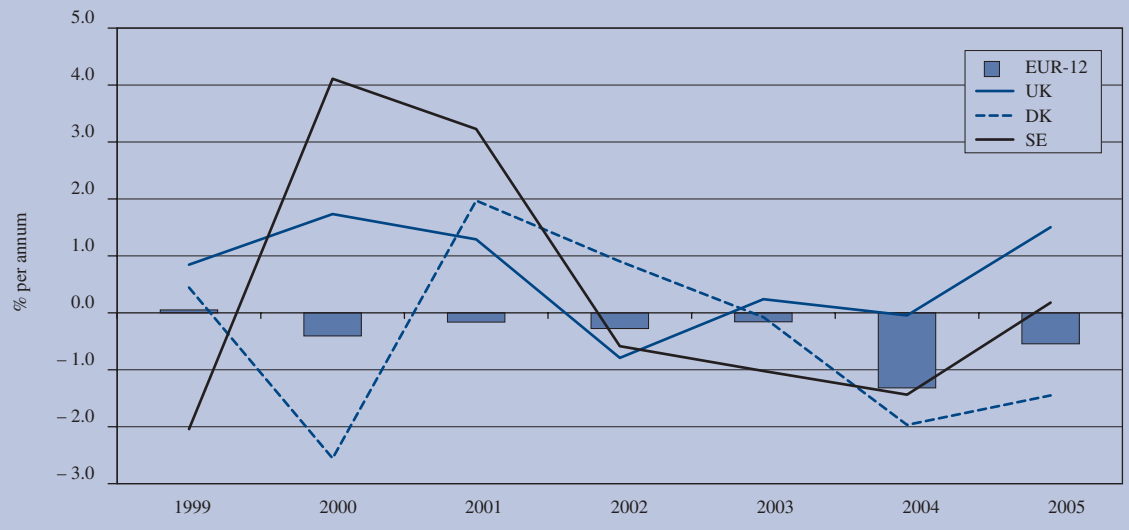
highest increase among all old EU Member States. Only Ireland fared a higher growth of real unit labour costs in 2005. Looking forward to 2006 and 2007, productivity growth is forecast to rebound in the UK, leading to the prediction of close to stable real unit labour costs in the current and the next year.

Graph 47: **Nominal wage growth (compensation per employee) in Denmark, Sweden and the UK**



Source: Commission services.

Graph 48: **Increase in real unit labour costs in Denmark, Sweden and the UK**



Source: Commission services.

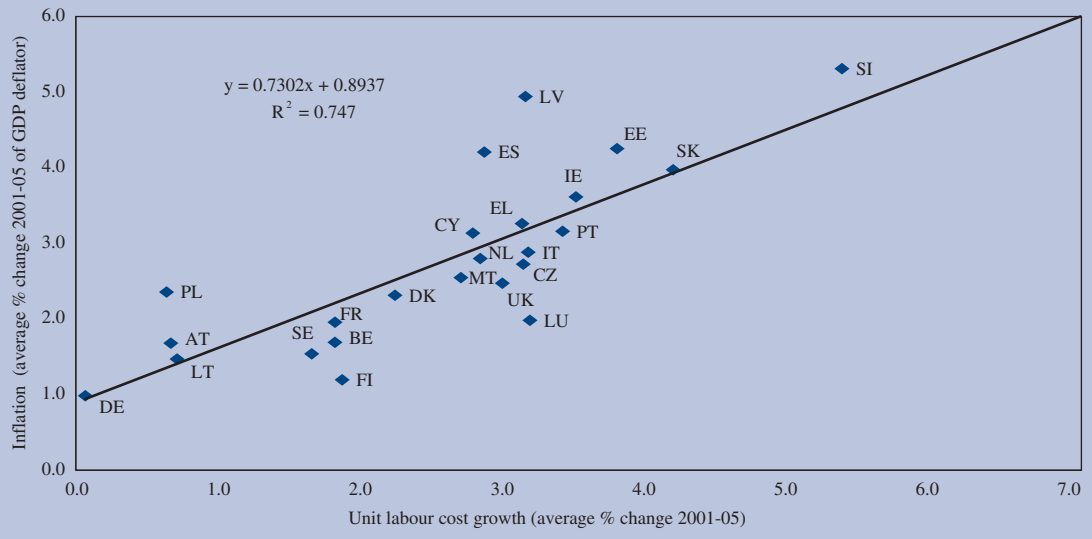
5.4. Overall assessment and outlook

Labour costs continued to grow moderately in 2005. Developments in some countries will nevertheless deserve monitoring in the future because they possess the potential to have adverse consequences on inflation and employment. This holds in particular for countries where continuously strong increases in nominal unit labour costs come together with high rates of inflation and for countries where weak labour market performance is accompanied by a trend increase in real unit labour costs. Whereas cross-country comparisons suggest a consistently positive and highly significant relationship between the increase in nominal unit labour costs and inflation across countries (Graph 49), the empirical support is less straightforward for the link between real unit labour costs and employment performance (Graph 50). Though there is a significant inverse relationship between the average increase of real unit labour costs and the change of the employment rate, it explains only a small share of the variation in employment performances across the EU Member States.

Wage growth did not accelerate in the euro area in 2005 despite a brightening of the economic outlook, gradually declining unemployment and consumer price inflation in the euro area persistently above 2 %. The observed pattern in 2005 looks like a mirror-image of the developments in 2001/02, when wage growth responded belatedly and sluggishly to a deteriorating economic outlook. The non-acceleration in 2005 is to some extent due to the agreement on small increases in nominal pay in collective wage bargaining. There are some indications that non-collective wage agreements have been more responsive to the cyclical upswing. The wage drift, i.e. the wedge between actual wage growth and negotiated wage increases, has picked up slightly and wage growth in services, which is on average less covered by collective agreements, has accelerated whereas wage growth in manufacturing did not.

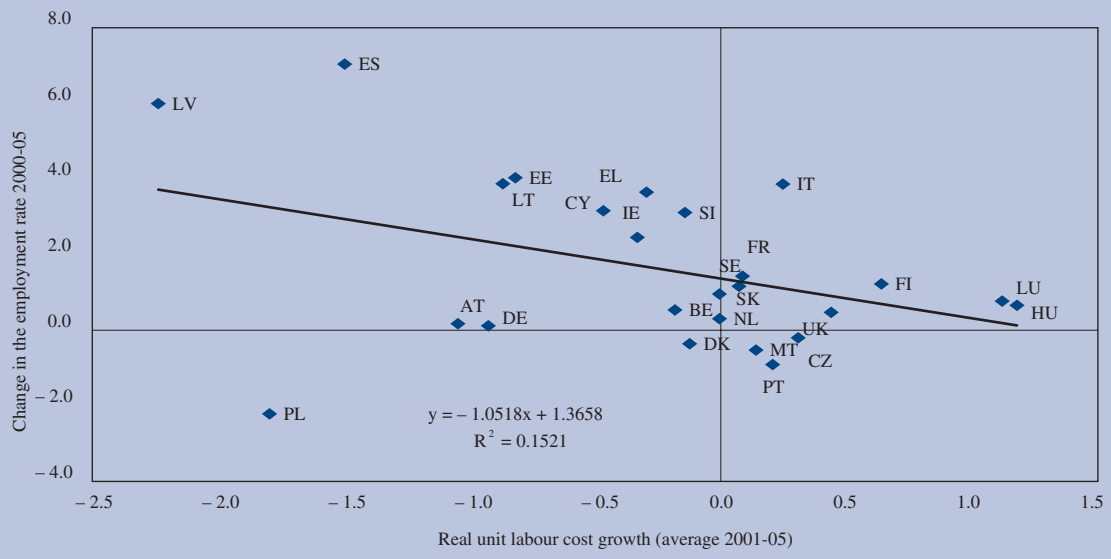
There is some evidence of wage convergence among some euro area Member States. However, those countries where nominal wage growth has been high, especially Ireland and Greece, or particularly low, i.e. Germany, seem not to fully participate in this trend. Moreover, the low rate of wage growth in Germany reduced the increase in nominal compensation per employee in the euro area by 1 percentage point. Excluding Germany, nominal wage growth would have been 3 % instead of 2 %. In some of the euro area Member States, nominal wage increases above the euro area average translated into a further erosion of intra-area price competitiveness. An increase of nominal unit labour costs of more than 2 % is registered for a number of countries. In some cases, the increase can be attributed to

Graph 49: **Nominal unit costs growth and inflation 2001-05**



Source: Commission services.

Graph 50: **Real unit labour costs growth and change in the employment rate 2001-05**



Source: Commission services.

cyclical developments of labour productivity. Nevertheless, even if the cyclical situation is taken into account, an increase of nominal unit labour costs of more than 2 % can be observed for Greece, Ireland, Italy, Luxembourg and Portugal.

According to the Commission's spring 2006 forecast, wage growth will remain close to the low 2005 rate in the euro area also in 2006 and 2007. Some acceleration is predicted to occur in Spain, the Netherlands and Austria in 2006 whereas wage growth in all other Member States is forecast to remain around or below the rates seen in 2005. Euro area developments in 2007 will be strongly influenced by the envisaged reduction of social security contributions in Germany. This measure is estimated to deduct 0.6 percentage points from wage growth in Germany, possibly leading to a fall in compensation per employee in this country in 2007.

Nominal wage growth continued to grow strongly in the catch-up countries in 2005. In most of them, high wage growth was in line with productivity and price trends. However, the three Baltic countries, Hungary and Slovakia saw nominal unit labour costs increasing by around or more than 4 % in 2005. Among them, Latvia and Hungary were the countries with the highest increase in the consumer price deflator in the EU-25 in 2005. Labour productivity growth decelerated more in 2005 than wage growth in Slovakia, Hungary and Slovenia, leading to an increase in real unit labour costs. This increase may be a one-time development if labour productivity growth recovers in 2006 as presently embedded in the ECFIN forecast.

Nominal compensation per employee is forecast to come down markedly in Hungary and Slovakia in 2006 while some acceleration is expected to occur in Poland. According to the ECFIN forecast, nominal unit labour costs will increase by less than 4 % in all countries except Latvia, implying a clear deceleration in those countries that had a high increase in nominal unit labour costs in 2005, namely Estonia, Lithuania, Hungary and Slovakia. Real unit labour costs are forecast to fall in all catch-up countries in 2006 except in Poland, where the 2005 increase is likely to accelerate. Key for the sustainability of the catch-up process in these countries will be that the expectation of continuously high wage growth does not become entrenched in order to weather a cyclical slowdown in labour productivity growth.

6. Special issue: Labour market adjustment in the euro area

6.1. Introduction

Many observers have drawn attention to the impact of persistent growth differences among the euro area Member States for the smooth functioning of EMU: in general, growth rates have been above average for small countries and persistently weak for the largest countries. In particular, concerns have been expressed on the capacity of heterogeneous countries to put in place mechanisms that are able to cope with asymmetric shocks, or common shocks with asymmetric effects, given that control on national monetary policy has been relinquished and the nominal exchange rate is no longer available. An inadequate adjustment capacity of euro area countries may impinge upon the inter-temporal decisions of firms and consumers, with the risk of entrenching persistently diverging growth rates. Persistent growth differentials among euro area countries can be a threat for the macro-financial stability, complicate the conduct of monetary policy and the coordination of budgetary policies.

The European Commission has regularly analysed the reasons and consequences of growth differences in the euro area. To date, the issues tackled have included the risk of overheating ([1]), business cycle convergence ([2]), inflation differences ([3]), growth differences ([4]), and the contribution of EMU to nominal and real convergence ([5]). This chapter undertakes a comprehensive review of labour market adjustment in the euro area, bringing together the issues discussed in the economic literature with analysis on the actual economic performance of the euro area Member States. Since the labour market plays a crucial role in the absorption of shocks, this paper describes how the labour market has actually adjusted to differences in economic performance within the euro area ([6]). This analysis on labour markets is part of a wider research project of the European Commission on adjustment mechanisms in EMU, the full results of which will be published in late 2006.

The remainder of this chapter is structured as follows. Chapter 6.2 takes a fresh look at the optimal currency area literature, a topic that has benefited from recent analyses that explore the role of countries' heterogeneity in wage institutions.

Chapter 6.3 studies the cyclical and structural nature of growth differentials in the euro area Member States. The reason for doing so is that analysing countries' adjustment performance in the early years of the euro is difficult because their adaptation to the new monetary regime interacts with the response to the ups and downs of the economic cycle. The tension between short-term responses and long-term trends may potentially end up in country specific adjustment problems. The run up to EMU led to fundamental economic changes, inter alia the reduction of risk premia, to which members are adapting differently according to their initial conditions and long-term trends. These initial conditions interact with the normal functioning of a monetary union where economic performance is influenced by shocks, which may be symmetric, asymmetric or entail an asymmetric impact because of differences in economic structures.

([1]) Chapter 1.5 in European Commission (2001).
([2]) Chapter 1.6 in European Commission (2002), Quarterly Report on the Euro Area No 2/2004.
([3]) Quarterly Report on the euro area No 4/2002 and 4/2004.
([4]) Chapter 1.5 in European Commission (2004a), Quarterly Report on the euro area No 2/2005.
([5]) Chapter 1.4 in European Commission (2004b).

([6]) Note that this analysis on the labour market is part of a wider research effort by the European Commission on adjustment in the euro area.

The link between output growth and employment growth and the role of countries' initial positions is investigated in Chapter 6.4. Starting conditions prior to EMU had been different among the Member States, and some growth differences may reflect catching up or supply-side trends, development which would not motivate any concerns about possible negative effect of the monetary union on its members.

Chapter 6.5 analyses the role of wages in labour market adjustment. It considers how wages respond to labour market imbalances, and how the variation in employment growth can be related to differences in wage developments across countries. In principle, adjustment means a return to a balanced situation. In practice, it is usually not clear how the equilibrium looks like and whether the observed factors lead to a return to the old equilibrium, a new equilibrium or aggravate the disequilibrium. For example, differences in inflation and wage growth may be either a symptom of an emerging imbalance or of an economy returning to equilibrium. The subject of cross-border labour flows is not dealt in this chapter because the available evidence suggests that it has a limited role in re-balancing growth performances across countries and the data currently available would not add new insights to this issue. Chapter 6.6 outlines the main conclusions.

6.2. A review of the issues discussed in the economic literature

One problem in analysing the experience of the early years of EMU for participating countries is that the change in the monetary regime overlaps with exogenous transformations such as globalisation and population ageing, or country specific trends in total factor productivity (TFP) and labour supply. To analyse countries' experience during the first years of monetary union, it is useful to distinguish between two types of adjustments, namely:

- changes in the labour and product market institutions needed to cope with exogenous trends; and,
- structural changes required to have a monetary area working smoothly.

Of course, the two interact with one other.

With a common monetary policy, the option to use the exchange rate as a substitute for structural reforms is no longer available and the costs of inefficient institutions became more apparent. EMU is a fundamental change which modifies the way in which members should respond to shocks. The main issue is to what extent EMU will affect the incentives to develop alternative adjustment mechanisms.

The literature on optimal currency area (OCA) has cast light on the conditions under which countries may beneficially adopt a common currency. Inter alia, these include having a similar economic structure so that real symmetric shocks are more frequent than country-specific shocks, having economies that are closely linked by trade in goods and services, factor mobility (Krugman and Obstfeld, 2003), and flexible wages and prices.

According to the proponents of the endogenous currency area argument, the criteria for a common currency could be met ex-post if not ex-ante as the process of economic integration strengthens the trade links between its members (Frankel and Rose, 1998) ([1]). Others contend that an increase in the integration would enhance countries' specialisation patterns in the production of goods and services where they a have a comparative advantage and increase the likelihood of asymmetric shocks (Krugman, 2003). Membership of EMU may also lead to endogenous structural reforms on the grounds that EMU provides a precautionary motive to speed up labour and product market reforms because it makes evident the costs of non-reform (Calmfors, 2001). However, not all commentators share the view that a common currency accelerates the process of structural reform. For example, with a common monetary policy, the inflation bias ([2]), which might affect the conduct of national monetary policies, vanishes together with the incentives to pursue reforms that reduce equilibrium unemployment (Calmfors, 1998). Also, by increasing transparency and competition in markets, a greater demand for protection in sheltered sectors of the economy may be induced hindering the structural reform process.

The prevalence of asymmetric shocks does not imply that it is sub-optimal to adopt a common currency as long as countries are capable to adjust to shocks through

([1]) An OCA can also be *self-validating* if the new monetary regime causes an endogenous adaptation of the price setting of the behaviour of export-oriented firms which makes the new environment sustainable (Corsetti and Pesenti, 2002).

([2]) The influential papers by Kydland and Prescott (1977) and Barro and Gordon (1983) have shown that the rate of inflation is higher in a setting where policy-making is guided by discretion than by rules.

mechanisms other than domestic monetary policy and exchange rate policy. The lack of a nominal exchange rate puts the burden of adjustment on markets ([1]). If some markets fail to adjust others are expected to overshoot to compensate for this rigidity. More specifically, once countries have decided to adopt a common currency, the interaction between real exchange rate developments, nominal interest rates and divergent inflation rates may contribute to periods of over-heating or overcooling, which delays adjustment (e.g. Deroose et al., 2004). Growth differences may emerge not only from asymmetric shocks but also from differences in the exposure to symmetric shocks and in the adjustment pattern to shocks. Differences in the latter two are considered to be crucially influenced by inherited differences in institutions ([2]).

The appropriate response to shocks strongly depends on the nature of the shock, i.e. whether it affects the demand or the supply side of the economy, whether it is permanent or temporary, of internal or external origin, exogenous or policy induced. The response can be policy-related or market-based, relying on a stimulus to demand, a change in relative prices or a structural change in supply. Strengthening demand may contribute to a swift adjustment, but at the cost of softening the pressure to reform that a shock would entail. In this case, the policy response encounters the same limit of the exchange rate used as a surrogate of other structural policies. In the case of a temporary shock of external origin, the adjustment can be achieved through a change in the real exchange rate. With flexible prices and wages, the correction in the relative prices needed to absorb the shock may be straightforward and smooth with minor adjustment on the quantity side. In contrast, with sticky prices and wages, the changes in relative prices occur only indirectly and usually within a relative long time-horizon through the effects of economic activity on these prices. Finally, when a country is faced with a permanent shock**,** the optimal response would require a permanent adjustment of its economic structure, while any attempt to delay such adjustment would violate the inter-temporal budget constraint of the economy.

The criteria that make a region an OCA identify the adjustment mechanisms needed to cope with idiosyncratic shocks in a common currency area. As far as the labour market is concerned, a country hit by an asymmetric shock may respond through a change in price competitiveness or through labour mobility.

The competitiveness channel

In EMU, the need for adjusting the real exchange rate has not disappeared. Adjustment can be achieved through movements in the relative prices and wages, either internal or external, and entails a temporary asymmetry in short-term inflation differentials ([3]). Since the external relative price depends on the internal relative price in the home country relative to the foreign country and on the price of domestic to foreign tradable goods, changes in price competitiveness can be achieved through movements in one or both of these relative prices. In a highly integrated area, the price of tradable goods is set by international markets. Thus, movements in the domestic to foreign ratio of the price of non-tradable goods account for the variations in the external relative prices ([4]). Competition in domestic product and labour markets influences the price and wage formation mechanisms and the internal relative prices and wages.

A widely held explanation of long-term inflation differentials across countries is given by the Balassa-Samuelson (B-S) effect. Under very restrictive assumptions, it pre-

([1]) The macroeconomic adjustment depends also on the interactions between flexibility in the labour market on the one hand and flexibility in the product/capital market on the other hand. In addition, the degree of competition in product markets determines to a large extent the degree of wage flexibility that is needed to induce the necessary changes in prices (and the real exchange rate).

([2]) For example, in a common currency area, the characteristics of national specialisation models or heterogeneous labour market institutions may also make asymmetric the effects of common shocks (Andersen, 2006).

([3]) The 'internal' relative price is defined as the ratio between domestic tradable and non-tradable goods; the 'external' relative price is measured by the ratio of foreign to domestic values of some broad-based index such as CPI or GDP deflator. The price between tradable and non-tradable goods ('internal' relative price) is $q_1 = p_T/p_{NT}$ and the price between the domestic and foreign CPIs (the 'external' relative price) is $q_2 = p^*/p$. With Cobb-Douglas preferences the domestic CPI is a geometric average of tradable and non-tradable goods: $p=p_T^{\gamma} p_{NT}^{1-\gamma}$. A similar relation holds for the foreign CPI. If the weights of tradable and non-tradable goods are the same across countries, the relationship between the external and internal relative price is given by $\log q_2 = \gamma (\log q_1 - \log q^*_1) + \log p_T/p^*_T$. Hence a change in q_2 can be obtained through different combinations of changes in domestic and foreign internal prices and in the price of domestic relative to foreign tradable goods. See Giovannini et al (1993).

([4]) Deviations from the law of one price may occur when firms fix the price in the currency of the buyer to neutralise volatility of the exchange rate (Engel, 2000). Although the volatility of the nominal exchange rate disappear in a monetary union, fluctuation of the relative price of tradable goods are still possible if the exportable sector use non-tradable inputs produced in domestic and foreign markets with different degree of substitution. In this case deviation from the PPP may derive from changes in the relative prices of non-tradable goods. The existence of differentiated traded good leads to a violation of the law of one price (Benigno and Thoenissen, 2002).

dicts that during a catch-up period, countries with high growth rates would experience a real exchange rate appreciation and an increase in 'equilibrium' inflation ([1]). It can be shown that contrary to the predictions of the B-S effect, with imperfect substitution between traded goods, productivity or mark-up shocks in the traded sector reduce the price of home-produced goods and worsen the terms of trade, which reduces the pressure on wages and prices of the non-tradable sector to adjust ([2]). The presence of nominal wage rigidities creates further persistency in the shocks, in addition to that accounted for by the exogenous shocks themselves, and generates price and inflation dispersion (Altissimo et al., 2004); wage and price rigidity slows down the adjustment to the long-run equilibrium and may amplify the output and consumption cycle ([3]).

The adjustment of relative prices involves a temporary deviation of the inflation differential from the underlying long-run path ([4]). Differences across countries in wage stickiness are a source of heterogeneous adjustment to both common and country specific supply shocks, which affects output and inflation locally and union-wide ([5]).

([1]) The B-S effect requires perfectly competitive firms, perfectly mobile factors of production and the law of one price. This implies that the terms of trade are fixed, and any improvement in the productivity of the tradable relative to the non-tradable sector increases the wage paid to workers in the tradable sector. Labour mobility across sectors equalises wage, increases the marginal costs in the non-tradable sector, the non-tradable prices and the inflation differential. Within a currency area, when traded-goods are homogeneous, demand-side factors that change the relative (domestic to foreign) productivity may generate inflation differentials consistent with the Balassa-Samuelson effect (Cova, 2004). With more realistic assumptions, the inflation differential depends on the interaction between the competition in domestic and foreign markets, the share in domestic consumption of traded-goods and the elasticity of the labour supply (Altissimo et al., 2004).

([2]) See Benigno and Thoenissen (2003), Altissimo et al. (2005). In contrast, productivity or mark-up shocks in the non-tradable sector are the primary cause of prices and inflation differentials in the domestic relative to foreign non-traded sector and the main factor behind the cross-country variability of real wages.

([3]) See Fagan et al, (2003). However the effect of wage stickiness is model dependent. For example in Altissimo et al (2004), wage stickiness does not necessarily dampen the effect of productivity shocks to the traded sector as it also slows down the response of the terms of trade, implying that the inflation differential cycle around and even over-shoots its long-run equilibrium.

([4]) Together with Balassa-Samuelson effects, long-term inflation differentials may derive from different preferences, yielding different goods and services in the consumption basket, and different industrial structures, for example share of services or energy-intense production.

([5]) In an inter-temporal general equilibrium model of currency union, Andersen (2004) shows that shocks are transmitted via the current account, through changes in the terms of trade, and propagated differently in national labour markets. In response to common and country specific shocks, more real wage flexibility (domestic or foreign) and more domestic nominal flexibility always reduce domestic output volatility. In the case of common shocks, more domestic and nominal wage flexibility has ambiguous effects because it increases the volatility of the terms of trade. Finally, in the case of country specific shocks, more nominal wage flexibility in the foreign country reduces domestic output variability when the nominal rigidity in the foreign country is low.

Similarly, different responses of sectoral wages to real shocks are required when shocks are sector specific or workers heterogeneous (Aizenman and Frenkel, 1986). How rapidly temporary deviations from long-term inflation differential are absorbed depends on the wage response to temporary shocks ([6]). Nominal and real wage rigidities delay the adjustment of relative prices to asymmetric shocks, making unemployment more volatile and increasing the unemployment sacrifice ratio — i.e. the increase in unemployment needed to trigger a change in competitiveness (Blanchard, 2006). Apart from the well-known effects on equilibrium unemployment, rigid real wages influence the stickiness of relative prices and reinforce the causes of nominal wage rigidity (Andersen, 1994, 2004). Hence, an increase across all countries of the real and nominal wage flexibility reduces the sensitivity of the euro area output to common and country specific shocks.

Sources of wage rigidity

There are three sources of nominal wage rigidity:

- with staggered contracts only a fraction of workers has its wage revised when the economic conditions change, and this is a source of persistent wage inflation and costly disinflation;
- long contract periods increase the lags between price and wage changes and create wage stickiness;
- social norms or fairness considerations make workers to resist wage cuts — or low nominal wage growth — especially when inflation is low (Holden, 2004 and Holden and Wulfsberg, 2005).

Among the main explanations for real wage rigidity, the role of product market integration and unions' bargaining power has been widely documented. The common argument is that product market integration raises the price-elasticity of labour demand and constrains real wages. The extent of centralisation of wage bargaining

([6]) The reduction in the risk premium which comes with the participation in the monetary union may entail an economic boom and a rise in real wages (Hohohan and Lane, 2005). With sticky wages, the decline of the interest rate leads to overheating, destabilises the real interest channel, and makes wage growth unsustainable. Some have argued that to avoid a loss of competitiveness, wage growth should be adjusted downward. However, others have claimed that, when the adjustment requires a reduction in the external demand, inflation may accelerate the correction while a more moderate wage growth might delay the adjustment needed, especially when the structural unemployment is low (Blanchard, 2001). In both cases the response depends on the flexibility of nominal wages.

influences the final outcome. It is well known that both highly centralised and decentralised bargaining are associated with better labour market outcomes. However, the risk of loosening market shares for open economies reduces the disadvantage of intermediate bargaining systems (Calmfors 1993). Finally, the nature of wage bargaining affects the difference between actual earnings and negotiated wages (wage drift) and influences the response of relative wages and prices to sectoral and aggregate shocks.

Will EMU increase nominal and real wage flexibility?

To what extent EMU creates the incentives for higher nominal and real wage flexibility without reforming labour market institutions is a hotly debated topic. Several arguments warrant consideration:

- contract length may be the outcome of an optimal choice balancing the costs arising from changing the wage contract with the losses from not adjusting wages to unexpected shocks (Ball, 1987). If EMU implies that asymmetric shocks entail large demand fluctuations, because domestic central banks cannot stabilise the domestic economy (Obstfeld, 1998) or common monetary policy affects its members differently (Dornbusch et al. 1998), there is an incentive to shorten the duration of wage contracts and the timing of wage negotiations (Calmfors, 1998). This would imply less inertia through wage settlements and more stable cyclical unemployment. The incentive to shorten contract duration would be higher for larger than for smaller countries;

- however, if wage setters fail to internalise the effects of high flexibility on the terms of trade, differences in nominal wage flexibility across countries may lead to excessive nominal wage flexibility. Moreover, when countries do not internalise the positive effect of higher domestic real wage flexibility on foreign output volatility, each country may end up with too little real wage flexibility (Andersen, 2004);

- in an environment of low (actual and expected) inflation, the incentives to shorten contract duration are weak because wages need to be adjusted less frequently;

- despite the need of more nominal wage flexibility in a monetary union, the presence of coordination failures in wage bargaining can make such flexibility an unfeasible objective (Calmfors, 1998) ([1]);

- finally, the fact that monetary policy is set on the basis of the aggregate euro area inflation makes asymmetric shocks equivalent to local shocks within countries with a national monetary policy. This implies that national bargaining will internalise only partially the costs of wages fixed for long periods, depending on the influence of national wages on the area-wide inflation rate.

The question of whether EMU would entail higher wage flexibility boils down to its effects on national bargaining. A common monetary policy would weaken the incentives for intermediate coordination. Compared to the case of national monetary policy, EMU imposes less discipline on the wage setters because the threat of a domestic monetary reaction is less biting. Hence, the incentives to coordinate wage settings at the national level rather than at the industry level are stronger inside than outside the EMU, implying a tendency towards higher levels of coordination within the EMU (Holden, 2001). However, within a monetary union there is also a stronger incentive to decentralise bargaining because within EMU wage setters do not internalise monetary policy reactions while this may occur at least partly outside (Calmfors, 2001).

The presence of asymmetric behaviour in nominal wage growth with the well known downward rigidity constrains the role of relative prices as a unique source of adjustment. When inflation is low and wage growth moderate, it becomes unlikely that any deterioration in productivity growth is accompanied by a downward revision of nominal wages growth. In this case, other adjustment mechanisms would be required.

The labour mobility channel

A second potential venue of adjustment is geographical labour mobility. When a region is hit by an adverse idiosyncratic shock, workers could migrate to expanding regions, contributing to mitigate the effects of asymmetric shocks and reducing the business cycles asymmetries across regions and countries. Blanchard and Katz (1992) showed that labour mobility is an important, probably the

([1]) Each individual firm would prefer to reduce the length of their wage contracts only if the variability of its own demand rises. However, if others firms were to reduce the contract duration, the rest of the economy would benefit from higher flexibility, preventing the output volatility that would put pressure on each firm to change the contract length.

most important, adjustment channel in the USA. Because of the limited role played by labour mobility in the euro area, enhancing the adjustment through migration is clearly desirable. However, with heterogeneous inflation rates across countries, a high labour mobility may delay the adjustment because migration to expanding (declining) regions spurs (or discourages) labour supply and reduces the wage response, making the economy to cycle around its long-run equilibrium (Honohan and Leddin, 2005). Finally, labour mobility is only a medium-term adjustment channel, as the decision to move entails transactions costs, and cannot be a surrogate of more intense reallocation of labour from expanding to shrinking sectors. An increase in demand can be only partly satisfied by an increase in the net imports because the supply of domestic traded goods responds only slowly while non-traded goods cannot be imported ([1]). Hence, labour mobility across sectors increases the supply of non-traded goods, smoothes the adjustment and makes sustainable the net foreign asset position (Fagan and Gaspar, 2005).

6.3. The nature of differentials in output growth and labour market performances

Growth divergences may derive from an imperfect adjustment to EMU, from asymmetric output cycles or from different long-term growth rates. These divergences would not be a matter of concern if they were a temporary response to asymmetric shocks or reflected a catching up from low- to high-income countries. However, they may also signal difficulties in adapting to the new regime. Section 6.3.1 investigates whether countries' performance have been influenced by their participation in the EMU. Section 6.3.2 explores the structural or cyclical nature of the growth differential and the contribution of factors' accumulation to the long-term growth differential. This is followed in Section 6.3.3 by an analysis of cross-country differences in employment and unemployment and of their links with differences in output growth.

6.3.1. How countries adapted to EMU?

Table 18 and Table 19 report the main macroeconomic indicators relative to the euro area aggregate ([2]). Since the intention is to distinguish between underlying long-term trends and the adjustment that followed participation in EMU, for each country the observations are split into the pre- and post-euro years. A significant change between the two periods identifies a country-specific change emerging after EMU, which is subsequently interpreted as an asymmetric shock. The significance of this change is established on the basis of the standard deviation of the difference of each country specific indicator vis-à-vis the euro area aggregate. Given the relative short-time span, a change larger than one standard deviation is considered as statistically significant. The '*average'* column shows the average of countries' deviations from the euro area aggregate. A large average deviation signals the prevalence of major asymmetric shocks.

Looking at the '*average'* column, there is evidence of a favourable shock to capital accumulation and the labour market. While the fall in the risk premium explains the first shock, the labour market shock is driven by positive long-term developments. Although no major GDP shock hit the euro area after 1999, four countries experienced an asymmetric GDP shock, favourable for Greece and Spain and unfavourable for Netherlands and Portugal. In the first two countries, GDP relative to the EU average accelerated significantly in the post-euro years. However, with the exception of a rapid accumulation of physical capital in the post-euro years common to both countries, significant differences emerge in the pattern followed by other variables.

- In Greece, the GDP shock was driven by a positive shock in actual and trend TFP growth while the labour market was hit by an unfavourable shock, almost entirely of structural nature, which kept subdued both wage inflation and the growth rate of unit labour costs (ULC) relative to the euro area.

- For Spain, the positive GDP shock reflected favourable labour market shocks, namely improvements in the long-term employment rate and NAIRU ([3]).

- The Netherlands and Portugal experienced an unfavourable GDP shock, which, especially for Portugal, was partly due to a deterioration of its potential output growth. Although there is no evidence of a statistically significant change compared to the pre-

([1]) In the short-run the increase in the demand for non-traded goods should be accompanied by an increase in its relative price – i.e. a fall in the ratio of traded to non-traded goods, the internal relative price (Aizenan and Frenkel, 1986) which creates the incentives to shift resources from the traded to the non-traded sector.

([2]) The table follows the approach adopted by Wyplosz (2006).

([3]) In both countries the labour market shock takes the form of a change in the same direction of the employment and participation rates such that unemployment respectively increases and declines substantially.

EMU period in the unemployment rate in these countries, in the first years of the euro the labour market underwent specific adjustment paths. In the Netherlands, a positive employment and participation rate shock, despite the deterioration in the long-term trends, created cost pressures that led to a loss of competitiveness. In contrast in Portugal, a negative labour demand shock, mainly structural, dominated the fall in participation. The downward adjustment in relative wage inflation, although statistically significant, was insufficient to trigger a downward change in the relative ULC because of poor productivity developments.

Other countries experienced asymmetric shocks limited to the labour market. Between the pre- and post-euro years, a negative labour market shock can be identified in Germany and Austria, where the fall in employment rate and the increase in the unemployment rate is matched by changes of the same order in the long-term trends. Finally, in France an asymmetric shock hit both labour demand and labour supply, which explains the substantial stability of the unemployment rate (relative to the euro area) before and after the introduction of the euro.

The behaviour of unit labour costs (ULC) highlights country specific adjustments to the change in the monetary regime. The combination of relatively low nominal wage growth and positive productivity growth allowed Germany and Greece to improve their price competitiveness, measured by the ULC either of the total economy or of the manufacturing sector ([1]). This was not the case of countries such as Italy, France and the Netherlands where, especially in the manufacturing sector, growth in the nominal wage was higher than productivity growth.

As far as the determinants of economic growth and labour costs are concerned, the analysis suggests that countries adapted differently to the creation of EMU. Countries such as Greece, Spain, Ireland and Finland experienced acceleration in the rate of capital accumulation consistent with the downward convergence of interest rates. Others (e.g. Spain, Ireland, the Netherlands, Germany, Greece, Austria and Portugal) recorded a significant change in labour market performance, with or without an impact on the overall growth performance.

([1]) However, for Greece the improvements in the relative ULC for the manufacturing sector are not statistically significant.

6.3.2. Is the growth differential in the euro area cyclical or structural?

The output growth differential is not particularly high by historical standards (Graph 51). Abstracting from temporary increases in the dispersion in the early 1970s and 1990s, this differential was stable until 1997 and declining afterwards ([2]). The variability of output growth across country conceals different combinations of short-term and long-term differences over time. Graph 52 shows the contribution of the cyclical and trend component to the variance of total output growth. The dispersion in growth rates due to differences in the economic cycle was high in the 1970s and 1980s as evidenced by the large variance of the output gap. After the peak of the early 1990s, there has been a decline in the relative importance of short-term growth differentials (measured by the output gap) and an increase in the contribution of the long-term growth differential (measured by potential growth rates). Divergences in potential output growth, already present before the EMU, dominate the dispersion of actual output growth rates ([3]).

The breakdown of the variation of growth across countries in supply side factors provides support to the notion that the observed growth differences in the euro area are largely of structural rather than of cyclical nature. Moreover, the analysis also suggests that differences in total factor productivity growth account for a stable share over time of the overall growth differential while labour market trends were at the core of differences in growth performance in the more recent period (Annex 1). The historical perspective adopted in the growth accounting exercise suggests that most of the changes observed during the early years of EMU were already occurring before the change in the monetary regime.

6.3.3. Documenting the link between growth and employment differences 1996-2005

As a complement to the analysis above, this section documents the persistence of differences in growth and employment performance across the euro area countries. The comparison between employment and output

([2]) However, this pattern is determined by the 'extreme' growth countries, in particular the deceleration of growth in Ireland. Indeed, on the basis of the interquartile range, a more robust measure to extreme values, the growth differential increased from 1999 to 2003 and thereafter fell, hovering around the historical average.

([3]) The decomposition is based on the assumption that the cyclical and trend component are uncorrelated. The trend is ECFIN potential output. Results do not change for the euro area and are invariant to alternative measure of dispersion such as the quartile range.

Table 18

Country specific performance relative to euro area

	BE	DE	EL	ES	FR	IE	IT	NL	AT	PT	FI	LU	Average
GDP growth													
1990-1998	– 0.1	0.1	0.0	0.4	– 0.2	4.5	– 0.6	0.8	0.4	0.7	– 0.7	2.9	0.7
1999-2005	0.1	– 0.6	2.6	1.7	0.2	4.0	– 0.7	– 0.5	0.0	– 0.6	0.9	2.4	0.8
Difference	0.2	– 0.7	**2.6**	**1.3**	0.4	– 0.5	0.0	**– 1.3**	– 0.4	**– 1.3**	1.6	– 0.5	0.1
S.D.	0.5	0.9	1.8	0.9	0.5	2.2	0.5	0.8	0.7	1.3	3.2	2.0	0.6
TFP growth													
1990-1998	– 0.3	0.1	– 0.5	– 0.8	– 0.2	2.7	– 0.5	0.0	0.2	0.3	0.7	0.3	0.2
1999-2005	0.2	0.2	1.8	– 0.3	0.5	1.5	– 0.7	– 0.4	0.0	– 0.9	1.1	– 0.1	0.2
Difference	0.5	0.1	**2.3**	0.5	0.7	– 1.2	– 0.2	– 0.4	– 0.2	– 1.2	0.4	– 0.4	0.1
S.D.	0.8	0.5	2.2	0.7	0.7	1.8	0.8	1.0	0.9	1.3	1.9	2.0	0.5
Capital growth													
1990-1998	0.0	0.0	0.0	1.2	– 0.1	0.8	– 0.3	– 0.4	0.7	1.4	– 2.2	2.0	0.3
1999-2005	– 0.4	– 0.9	1.4	2.2	0.3	3.3	– 0.1	– 0.4	0.2	1.1	– 1.1	2.7	0.7
Difference	**– 0.4**	**– 0.9**	**1.4**	**1.0**	**0.4**	**2.4**	0.1	0.0	**– 0.5**	– 0.4	**1.2**	0.7	**0.4**
S.D.	0.3	0.5	0.8	0.6	0.3	1.6	0.2	0.3	0.3	0.8	0.9	1.1	0.3
Hours worked per employed (rate of growth)													
1990-1998	0.3	0.1	0.3	0.5	0.2	– 0.7	0.4	– 0.1	– 0.2	– 0.3	0.9	0.1	0.1
1999-2005	0.3	0.0	0.6	– 0.3	– 0.4	– 0.1	– 0.1	0.7	0.6	0.2	0.2	– 0.3	0.1
Difference	0.0	– 0.1	0.3	**– 0.8**	– 0.6	0.6	– 0.5	0.8	0.8	0.5	– 0.7	– 0.3	0.0
S.D.	0.8	0.7	1.4	0.7	0.8	1.2	0.6	1.3	1.3	2.0	1.1	1.1	0.4
Employment growth													
1990-1998	0.0	– 0.2	0.4	0.7	– 0.1	2.9	– 0.5	1.5	0.1	0.0	– 1.8	2.7	0.5
1999-2005	– 0.2	– 0.9	– 0.1	2.2	– 0.2	2.1	0.3	– 0.6	– 0.7	– 0.4	0.1	2.6	0.3
Difference	– 0.3	– 0.6	– 0.6	**1.6**	0.0	– 0.8	**0.8**	**– 2.1**	**– 0.8**	– 0.5	1.9	– 0.1	– 0.1
S.D.	0.6	0.7	1.9	1.3	0.5	1.8	0.7	1.2	0.7	0.7	2.6	0.7	0.4
Employment rate													
1990-1998	– 3.7	6.5	– 8.4	– 9.3	– 1.1	– 5.9	– 4.4	6.2	12.8	7.1	2.5	15.6	1.5
1999-2005	– 4.3	4.7	– 11.7	– 4.3	– 1.9	1.7	– 4.5	9.7	10.1	5.9	2.1	29.9	3.1
Difference	– 0.6	**– 1.8**	**– 3.3**	**5.0**	**– 0.8**	**7.6**	– 0.1	**3.6**	**– 2.6**	**– 1.2**	– 0.4	**14.2**	**1.6**
S.D.	0.7	1.1	2.0	2.8	0.6	4.5	0.8	**2.8**	**1.6**	**1.0**	3.0	8.3	1.0
Participation rate													
1990-1998	– 4.5	5.9	– 9.5	– 5.1	– 0.1	– 4.0	– 4.1	4.0	9.5	5.1	4.9	11.4	1.1
1999-2005	– 5.0	5.3	– 11.2	– 2.5	– 1.2	– 0.9	– 4.4	6.6	7.6	4.2	3.1	27.4	2.4
Difference	– 0.5	**– 0.6**	**– 1.7**	**2.7**	**– 1.1**	**3.1**	– 0.2	**2.5**	**– 1.9**	**– 0.9**	**– 1.9**	**15.9**	**1.3**
S.D.	0.8	0.4	1.3	1.5	0.7	1.7	0.4	1.9	1.2	0.8	1.6	9.0	0.7
Unemployment rate													
1990-1998	– 1.4	– 2.3	– 1.1	6.7	0.8	2.9	0.4	– 4.2	– 6.0	– 4.0	2.2	– 7.3	– 1.1
1999-2005	– 0.8	– 0.2	2.1	2.6	0.8	– 4.0	0.4	– 5.1	– 4.3	– 3.1	0.6	– 5.2	– 1.3
Difference	**0.6**	**2.1**	**3.2**	**– 4.1**	0.0	**– 6.9**	0.0	– 0.9	**1.6**	0.9	– 1.6	**2.1**	– 0.2
S.D.	0.4	1.2	1.7	2.6	0.3	4.3	0.8	1.2	1.1	1.0	2.3	1.4	1.1
Wage inflation													
1990-1998	0.0	1.3	7.3	1.7	– 0.5	1.5	0.6	– 0.4	0.2	4.3	– 0.5	0.2	1.3
1999-2005	0.1	– 0.6	3.8	0.7	0.1	3.5	0.5	1.6	– 0.4	1.7	0.7	0.8	1.0
Difference	0.1	**– 1.9**	**– 3.5**	– 1.0	0.6	**2.0**	– 0.1	**2.0**	– 0.6	**– 2.7**	1.3	0.6	– 0.3
S.D.	1.5	1.4	3.0	1.3	1.1	1.8	1.6	1.7	1.1	2.1	2.1	1.4	0.8

(Continued on the next page)

Table 18 (continued)

	BE	DE	EL	ES	FR	IE	IT	NL	AT	PT	FI	LU	Average
Nominal unit labour costs rate of growth													
1991-1998	0.0	0.0	8.1	1.7	– 1.0	– 0.3	0.2	0.0	– 0.5	3.3	– 2.4	0.3	0.8
1999-2005	– 0.1	– 1.3	1.1	1.4	0.0	1.8	1.2	1.3	– 0.9	2.1	0.1	1.4	0.7
Difference	– 0.1	**– 1.2**	**– 6.9**	– 0.4	**1.0**	2.1	1.0	**1.3**	– 0.4	– 1.2	2.5	1.1	– 0.1
S.D.	1.0	0.9	4.0	0.8	0.9	2.3	1.7	1.3	0.9	1.7	2.8	2.0	0.3
Nominal unit labour costs rate of growth: Manufacturing													
1991-1998	0.0	0.8	5.5	2.8	– 2.3	– 4.9	0.8	– 0.5	– 1.3	2.1	– 3.3	– 2.2	– 0.7
1999-2005	0.1	– 2.0	2.4	1.8	0.6	– 1.3	3.1	1.7	– 1.7	2.9	– 1.5	1.6	0.6
Difference	0.1	**– 2.8**	– 3.1	– 1.0	**3.0**	3.6	**2.3**	**2.2**	– 0.4	0.7	1.8	**3.8**	**1.4**
S.D.	1.8	2.1	4.5	1.6	2.1	5.6	2.1	1.9	1.6	2.8	4.6	3.0	1.1

Source: Commission Service; S.D. standard deviation calculated on the deviation from the euro area average for the entire sample period. In bold significant differences.; For Greece 1995-1998. Each number is calculated as the difference between the variable of interest of a certain country and the euro area weighted average. The column average represents the un-weighted average of all countries.

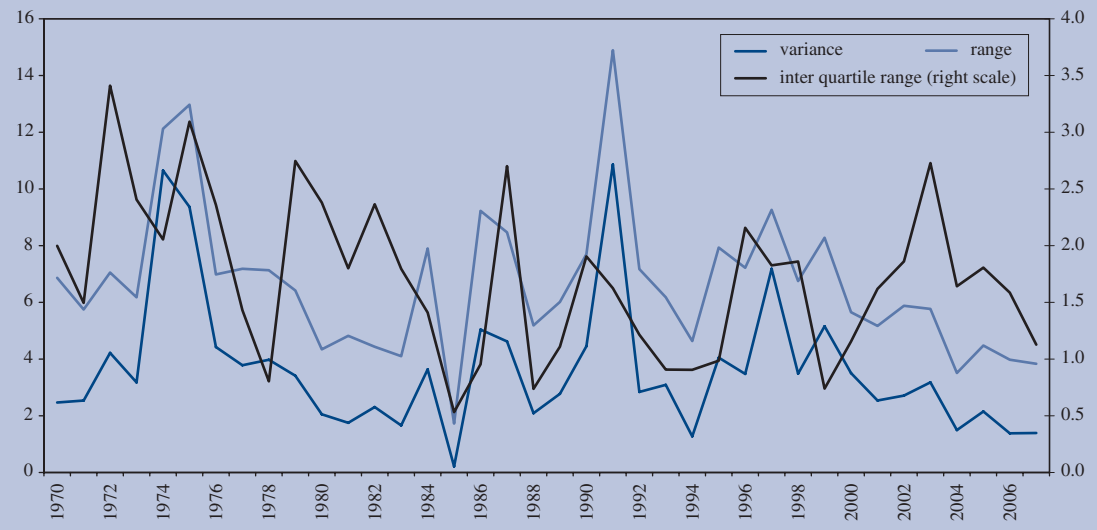
Table 19

Country specific performance relative to euro area: selected trend variables

	BE	DE	EL	ES	FR	IE	IT	NL	AT	PT	FI	LU	Euro area average country
Potential GDP growth													
1990-1998	– 0.1	0.1	0.0	0.5	– 0.3	4.5	– 0.6	0.5	0.3	0.8	– 0.7	3.0	0.7
1999-2005	0.1	– 0.8	1.7	1.7	0.3	4.7	– 0.7	0.1	0.2	– 0.2	1.3	2.7	0.9
Difference	**0.1**	**– 0.9**	**1.7**	**1.1**	**0.6**	0.2	0.0	**– 0.4**	– 0.1	**– 1.0**	**1.9**	– 0.3	0.2
S.D.	0.1	0.6	1.0	0.6	0.3	1.2	0.1	0.3	0.2	0.5	1.3	0.4	0.3
TFP trend growth													
1990-1998	– 0.2	0.3	– 0.4	– 0.7	0.0	2.6	– 0.4	– 0.2	0.2	0.1	0.7	0.5	0.2
1999-2005	0.1	0.0	1.0	– 0.5	0.3	2.0	– 0.7	– 0.2	0.1	– 0.6	1.1	0.1	0.2
Difference	**0.3**	**– 0.3**	**1.4**	**0.2**	**0.3**	**– 0.7**	**– 0.2**	0.0	**– 0.1**	**– 0.6**	**0.4**	**– 0.3**	0.0
S.D.	**0.2**	**0.2**	**0.9**	**0.1**	**0.2**	**0.5**	**0.1**	0.0	0.1	0.3	0.3	0.3	0.1
Potential employment growth													
1990-1998	0.0	– 0.1	0.0	1.1	– 0.3	2.6	– 0.5	1.3	– 0.1	0.0	– 1.6	2.7	0.4
1999-2005	– 0.2	– 0.9	– 0.5	2.3	– 0.1	2.7	– 0.1	0.2	– 0.4	– 0.3	0.3	2.5	0.5
Difference	– 0.1	**– 0.8**	**– 0.5**	**1.2**	**0.3**	0.1	**0.4**	**– 1.1**	**– 0.3**	**– 0.3**	**1.9**	– 0.1	0.1
S.D.	0.2	0.6	0.3	0.7	0.3	1.1	0.3	0.6	0.3	0.2	1.4	0.4	0.2
NAIRU													
1990-1998	– 1.0	– 2.2	– 1.8	5.9	0.6	3.1	0.5	– 4.0	– 5.6	– 4.4	1.7	– 7.1	– 1.2
1999-2005	– 0.8	– 0.4	1.0	3.0	1.1	– 3.8	0.4	– 5.4	– 4.3	– 3.0	0.5	– 5.1	– 1.4
Difference	0.2	**1.8**	**2.8**	**– 2.9**	**0.6**	**– 7.0**	– 0.1	**– 1.4**	**1.3**	**1.4**	– 1.2	**2.0**	**– 0.2**
S.D.	0.3	1.0	1.4	1.7	0.3	3.8	0.2	0.9	0.8	1.0	1.5	1.2	0.2
Potential employment rate													
1990-1998	– 4.0	6.4	– 7.9	– 8.9	– 1.0	– 5.8	– 4.5	5.8	12.3	7.1	3.3	15.4	1.5
1999-2005	– 4.1	4.9	– 10.9	– 4.6	– 2.2	1.3	– 4.4	9.8	10.2	5.8	2.2	29.8	3.1
Difference	– 0.1	**– 1.5**	**– 3.0**	**4.3**	**– 1.2**	**7.1**	0.1	**4.0**	**– 2.1**	**– 1.4**	– 1.1	**14.4**	**1.6**
S.D.	0.3	0.8	1.7	2.4	0.7	3.9	0.3	2.5	1.2	0.8	2.2	8.2	0.9

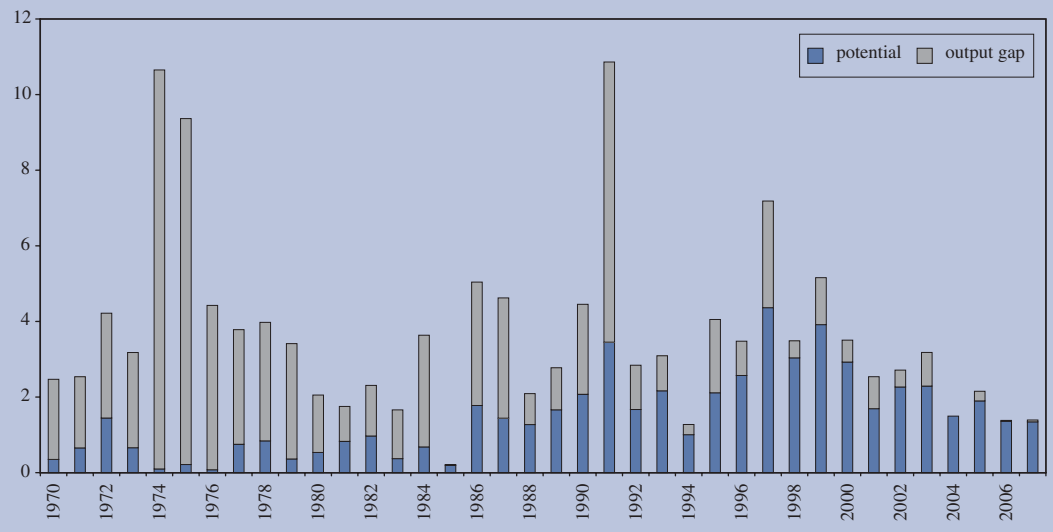
Source: Commission Service; S.D. standard deviation calculated on the deviation from the euro area average for the entire sample period. In bold significant differences.

Graph 51: **Dispersion of GDP growth across euro area countries**



Source: Commission services.

Graph 52: **Contribution to variance of GDP growth for EUR-10**



Source: Note: EUR-12 excluding Ireland and Luxembourg.
Source: Commission services.

growth focuses on the period 1996-2005, and the sub-periods 1996-2000 and 2001-2005. The choice of these periods is motivated by three factors. First, preparation for EMU led to stable nominal bilateral exchange rates and macroeconomic policies well before the introduction of the euro in 1999 ([1]). Second, the period 1996-2005 broadly covers a full business cycle. Thirdly, previous research has located a break in the employment-output relationship in the mid-1990s ([2]). The chosen period is not influenced by this break.

Countries with higher real economic growth in 1996-2005 also recorded higher employment growth and vice versa. This link is particularly apparent if countries are ranked according to their employment and output growth (Graph 53). Exceptions are Italy, the median country for employment growth but with the lowest GDP growth, and Greece, with a relatively good output growth and a mediocre employment performance. The strength of this association is higher in the period 1996-2005 than over past decades (see Graph A1/Graph A2 in the Annex) ([3]).

For the average growth rate over the 1996-2005 period, countries gather around different clusters (Graph 54). Ireland, Luxembourg and Spain witnessed strong employment and output growth. Of the nine countries closely clustered around the euro area average, three are located at the margins. Finland and Greece stand somewhat distant in terms of higher real output growth, while Germany had the lowest employment growth and the second-weakest GDP growth. Using the change in the rate of unemployment rather than employment growth does not yield a systematically different picture. Differences in employment performance match differences in the change of unemployment rates ([4]).

The ranking of employment growth is relatively stable in the economic boom 1996-2000 as well as in the slowdown period 2001-2005. Thus, relative employment differences appear to be as persistent as growth differences. However, some countries experienced a change in their

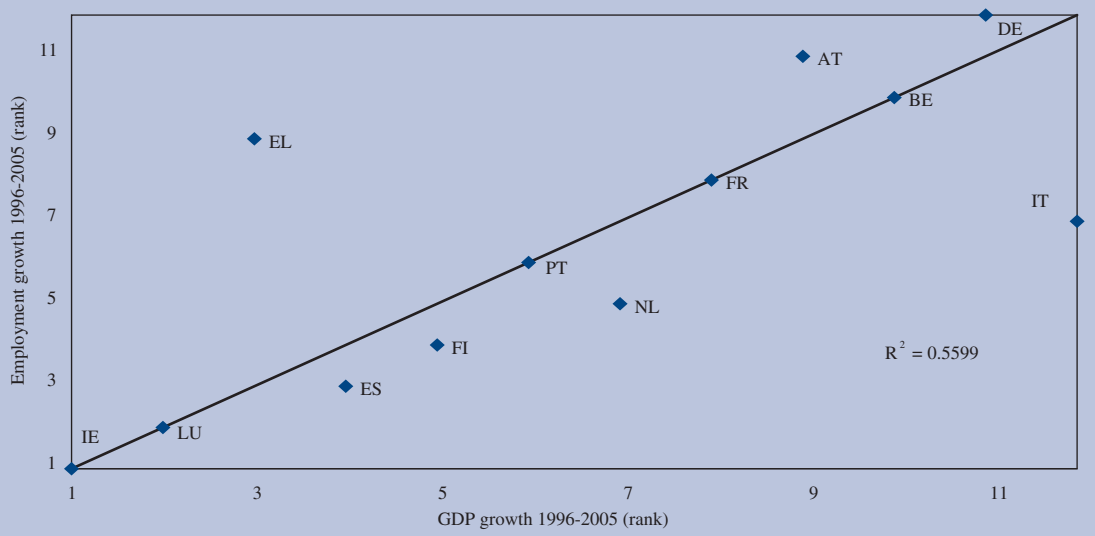
([1]) Two qualifications need to be mentioned. First, there was still limited fluctuation in nominal exchange rates in 1996 and for some countries, notably Ireland, Italy and Finland in 1997. Second, Greece entered the euro area only in 2001.

([2]) See Mourre (2005) and European Commission (2005, Annex III).

([3]) A linear regression line Graph 1 for the period 1996-2005 yields an R2 of 0.56. For the periods 1975-1995 and 1985-1995, it would be 0.04 and 0.36, respectively.

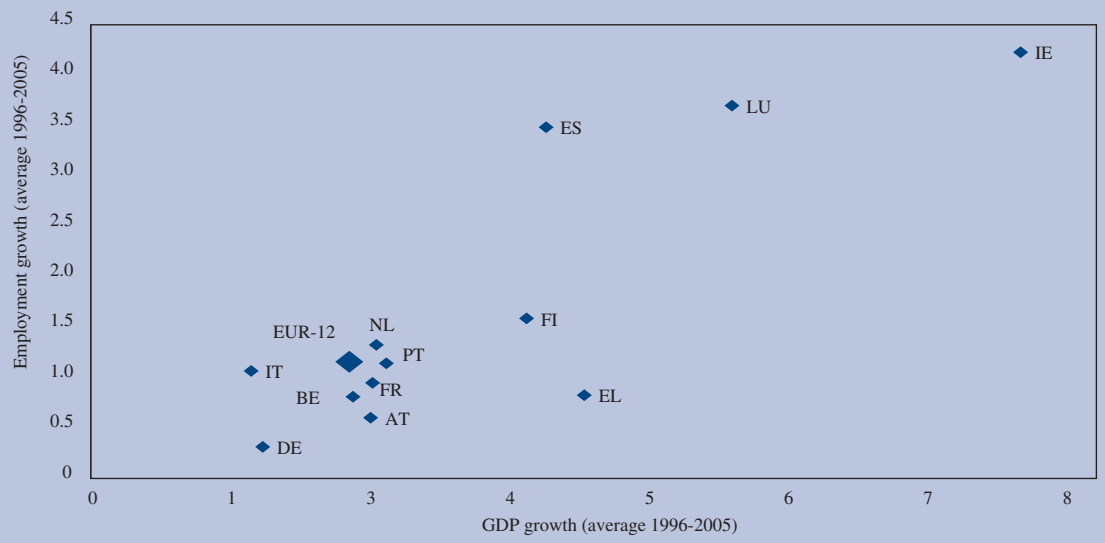
([4]) The notable exception is Luxembourg. The country combined strong employment growth with a sizeable increase in the rate of unemployment, reflecting its special situation as regards very low rates of unemployment in the 1990s that varied between 2 and 3 % and the large inflow of cross-border commuters in response to labour supply shortages.

Graph 53: **Ranking of employment and output performance**



Note: Countries with low ranks have higher growth.
Source: Commission services.

Graph 54: **Output and employment clusters 1996-2005**



Source: Commission services.

relative employment performances, which is indicative of some form of economic adjustment. While the Netherlands and Portugal were not able to sustain the strong job creation of the first period, Italy had relatively little job creation during the economic upswing 1996-2000, but ranked among the best performers in the period of cyclical slowdown, i.e. after accession to the euro area ([1]). The same pattern can be observed for Greece in terms of real GDP growth. Finally, Spain was little affected by the cyclical slowdown, continuing to expand both GDP and jobs by around 3 % per annum after 2001.

The link between employment growth and GDP growth was particularly strong in the boom phase 1996-2000 (Graph 55). Only for Spain, the Netherlands and Greece does the elasticity of employment to GDP over the cycle differ from the average. The recovery was more labour-intensive in Spain and the Netherlands and more productivity-based in Greece. The link is looser for the period of economic slowdown as implied by a smaller share of employment growth that can be explained by output growth (i.e. the lower R^2 in Graph 56). Employment growth was lower than expected by the respective GDP growth in Greece, Germany and Austria and higher than expected in Spain, Luxembourg and Italy ([2]).

What should be retained from the analysis?

- There is a strong relationship between employment and economic activity. Trends in labour productivity may be important for understanding economic performance in countries such as Italy, Spain and Greece.
- The weaker link between employment and output in the slowdown relative to the upswing suggests that country-specific forces were more important in the slowdown than in the upswing. Faced with an economic slowdown, countries may have responded differently in terms of labour hoarding and possibly to industrial adjustment via creative destruction.

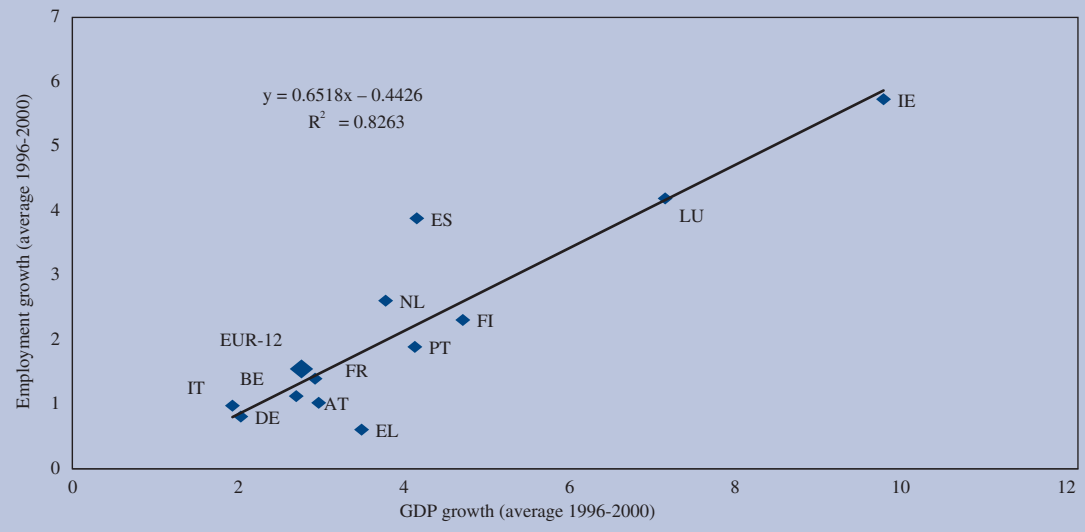
6.4. The role of initial conditions on labour markets

Although the run-up to the EMU led to strong nominal convergence, countries entered the new monetary regime with different real conditions. Looking into the

([1]) Notably, the relatively good employment performance in Italy was not accompanied by an improvement in the relative growth performance. The opposite development can be observed for France, where a better relative GDP growth performance was not associated by a similar improvement in its relative employment performance.

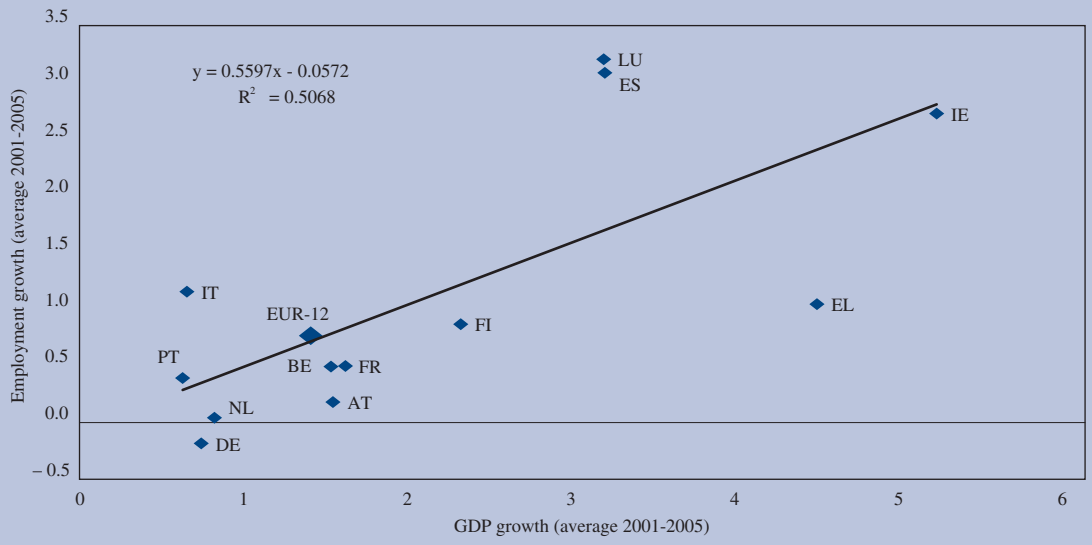
([2]) These results also hold if Ireland and Luxembourg, outliers in terms of both employment and output growth, are deducted from the sample.

Graph 55: **Output and employment performance in the cyclical upswing 1996-2000**



Source: Commission services.

Graph 56: **Output and employment performance in the economic slowdown 2001-2005**



Source: Commission services.

starting position of countries may help identifying the potential for catching-up and the differences in the growth rates that might have emerged in the early years of EMU. Three factors which may drive convergence on labour markets are analysed: differences in the initial slack on labour markets (Section 6.4.1), the sectoral composition of economic activity (Section 6.4.2) and differences in initial wage levels (Section 6.4.3).

6.4.1. Differences in labour supply: Convergence of participation and unemployment

This section analyses whether cross-country differences in the utilisation of labour supply in the mid-1990s may have had an impact on differences in employment growth and therewith on output growth. If employment growth has been particularly strong since the mid-1990s in countries with ample labour market slack and vice versa, accumulated cross-country differences in economic growth over the period 1996-2005 would not necessarily imply a build-up of imbalances. This has also implications on the expected adjustment. Whereas one usually attributes strong employment growth with strong wage growth, an increase in labour supply actually exerts downward pressure on wages.

Since the mid-1990s, participation rates have been remarkably increasing in the euro area, more than in other OECD countries, reversing the negative trend of the 1970s and 1980s (Graph 57). Changes in the participation behaviour of different socio-economic groups have modified the overall participation rate over the last decade (Table A1). The entrance in the labour market of more educated age groups, with higher labour market attachment, has been a main factor behind the increases in labour supply. Moreover, socio-economic changes, stimulated by the spread of part-time work and the improved access to childcare facilities, may explain the outstanding increase in female participation, especially in countries where the female participation rate had been low. Finally, a high share of people entering the age group 30-45 where participation is traditionally high, and the effect of reforms of early retirement on the incentive to work for older workers contributed to the more recent pick up in participation rates.

In Portugal, Greece and to a lesser extent Italy, demographic forces have been an important driving force, accounting for 25 % to close to 45 % of the increase in the participation rates between 1996 and 2004 (Graph 58). Demographic factors play a little role in Ireland and Belgium while they constrained the increase in participation rates in Finland, Netherlands, Austria, France and Germany. In contrast, the change in participation rates of specific age groups contributed to the increase in participation more in countries such as the Netherlands, Ireland and Spain than in the euro area average. In Germany, France and Austria the contribution of age specific change in participation was lower than in the euro area. In France, the negative demographic effect was compensated by the combination of a rising population in age groups where participation rates also increased. Overall, despite the positive relationship between the importance of the demographic factor and the increase in the participation rate, this factor accounted for only about one eighth of the increase in the euro area participation rate.

Potential for catch-up can be derived from checking whether the increase in the employment rate between 1996 and 2004 was larger in low than in high employment rate countries. A simple test of the so-called 'beta'-convergence shows that countries such as Spain and Ireland with low employment rates in 1996 had a relatively more dynamic employment rate in the subsequent ten years (Graph 59) ([1]). The most obvious exceptions are Luxembourg and Greece.

In some countries, employment growth has been strongly determined by changes in female employment, especially in Italy, Belgium, the Netherlands, and Germany ([2]). In the Netherlands the female component was particularly dynamic, despite an already high employment rate in 1996, whereas the lower increase in female employment in Germany and Austria is consistent with the relatively high rates of 10 years ago ([3]). In countries such as Spain and Ireland, despite the strong catching up to the euro area average, female employment was not the main driving force behind the overall increase in employment (Graph 61).

Member States started EMU preparations with substantial differences in unemployment rates, which, however, declined during the last decade. The fall in unemployment was the highest in countries which ranked among the worst performers in the mid-1990s (i.e. Spain, Ireland and Finland). In contrast, unemployment increased

---

([1]) In symbols, catching up in employment and unemployment rates implies $\Delta n_t = -\alpha n_0$ and $\Delta u_t = -\beta u_0$. Since $u \approx l-n$ where l is the participation rate combining the expressions we have $\Delta l_t = -\beta u_0 - \alpha n_0$ and expressing the unemployment rate in terms of employment and participation rates $\Delta l_t = -\beta l_0 + (\beta-\alpha) n_0$. Since $\beta > \alpha$ the increase in participation rate is high in low-participation rates countries but this increase is reduced if the employment rate is also low. Hence most of the decrease in unemployment comes from an increase in employment rather than from a decrease in the participation rate.

([2]) As regards changes to employment rates of young and old workers, evidence of convergence is unclear. A remarkably positive development has been the strong contribution of employment from older workers (55-64) and younger workers (15-24) to employment growth in the Netherlands and Finland. On the other side of the spectrum, negative contribution of older workers despite an overall positive employment performance was recorded in Greece, and of younger workers in Greece, Portugal, Italy and Luxembourg.

([3]) The female employment rate in 1996 is only weakly significant in a regression on the increase in the employment rate 1996-2004 in a cross-country panel of euro area Member States, if the estimate is controlled for the contribution of male employment to total employment growth.

in traditional low unemployment countries such as Luxembourg and Austria. The convergence in unemployment rate is also observed for non-EMU countries ([1]) and some new Member States ([2]) which implies that the monetary union was not the main reason for this convergence.

The evidence above suggests that the strong employment growth of the past 10 years might have been driven by a catching-up process in countries with low employment and high unemployment rates. In Ireland and Spain, and to some extent also in Italy and Finland, output growth was supported by an increase in employment and a decline in unemployment. Higher rates of employment and lower unemployment in Germany and Austria in the mid-1990s, as well as negative demographic factors meant little leeway to benefit from convergence. Relevant exceptions are the Netherlands and Portugal because high employment growth during the expansion of the late 1990s was not apparently related to the initially available slack in the labour market ([3]). Moreover, demographic factors constrained employment growth in some countries, namely Germany, Austria, France, Finland and the Netherlands.

Among the main determinants of the long-term growth differentials, the increase in labour supply, driven in some countries by favourable demographic shocks, contributed to the catching up of employment and to the consequent growth differential observed since the mid 1990s. In other countries, the increase in female participation boosted employment growth. Since socio-demographic trends are exogenous with respect to output, the differences in employment dynamics may explain the observed output growth differences vis-à-vis the euro area aggregate.

6.4.2. Differences in labour demand: The impact of the sectoral composition on employment performance

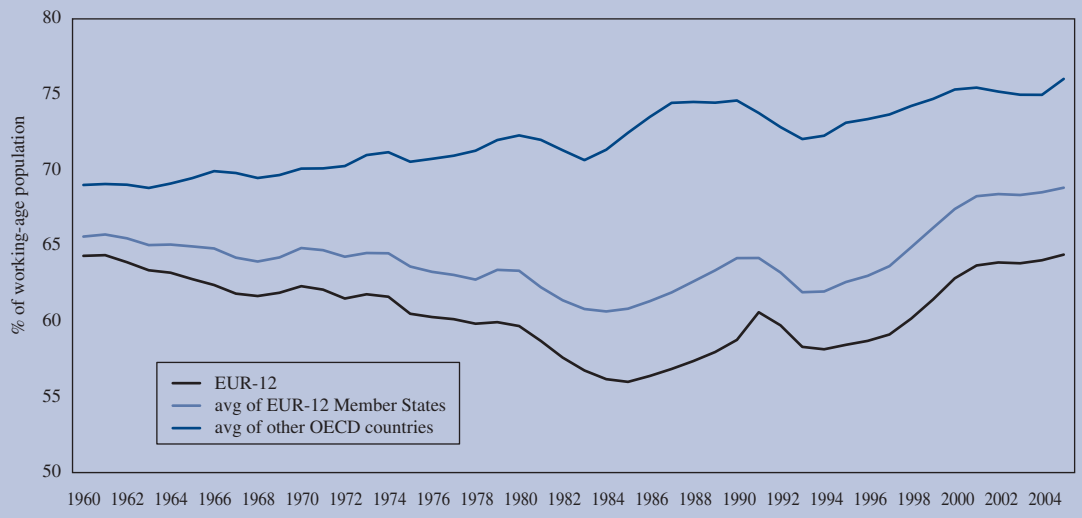
Cross-country differences in labour demand may be influenced by the sectoral distribution of employment in each country. Graph 63 displays the breakdown of employment in the euro area in main sectors. Table 20 shows that differences in the sectoral composition are

([1]) These are DK, SE, UK as well as the USA, JP, CA, CH, NO, IS, KO, AU, NZ.

([2]) The exceptions are PL and SK where the unemployment increase in the last year from already high levels.

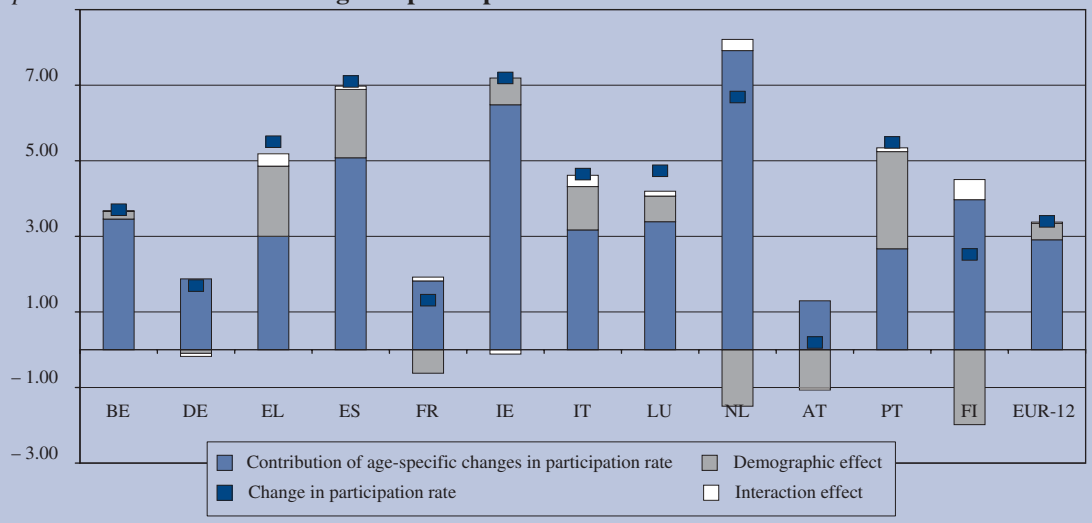
([3]) Portugal benefited from a favourable demographic factor; participation in the Netherlands was strongly driven by the increase in female participation.

Graph 57: **International trends in participation rates**



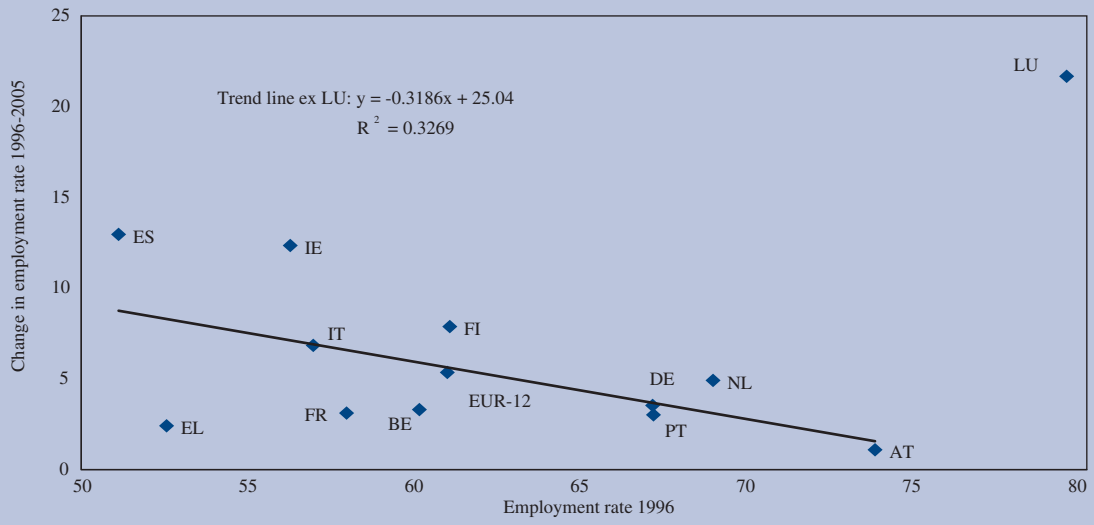
Source: Commission services.

Graph 58: **Contribution to changes in participation rates 1996-2004**



Note: components derived from shift-share analysis.
Source: Commission services.

Graph 59: **Convergence of employment rates 1996-2004**

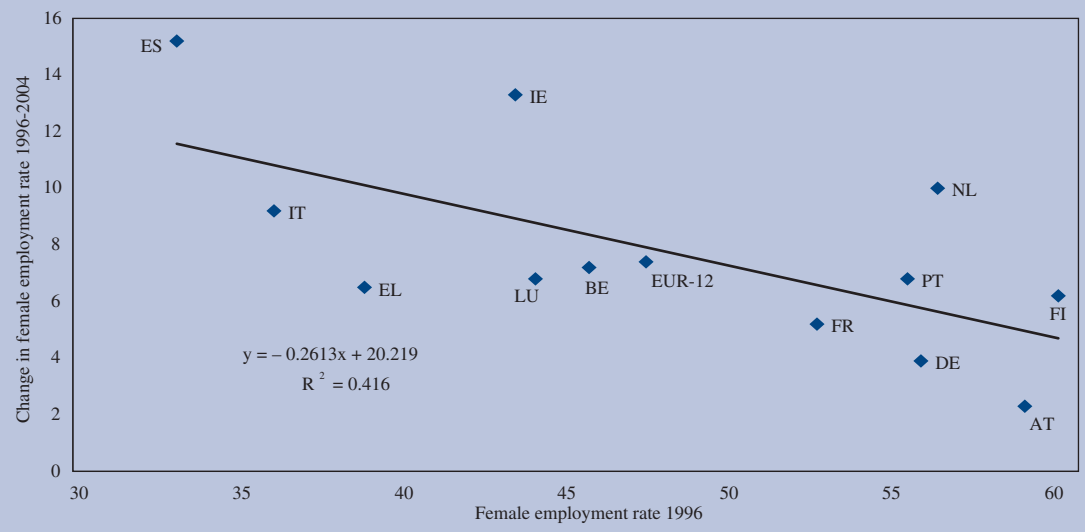


Source: Commission services.

large across countries, especially as regards the share of agriculture and construction. A breakdown of employment in 56 branches confirms that job-creation has taken place mainly in services. Interestingly, among the top 5 sectors with respect to their contribution to total employment growth, there are service sectors employing predominantly high-skilled as well as low-skilled employees (Table 20).

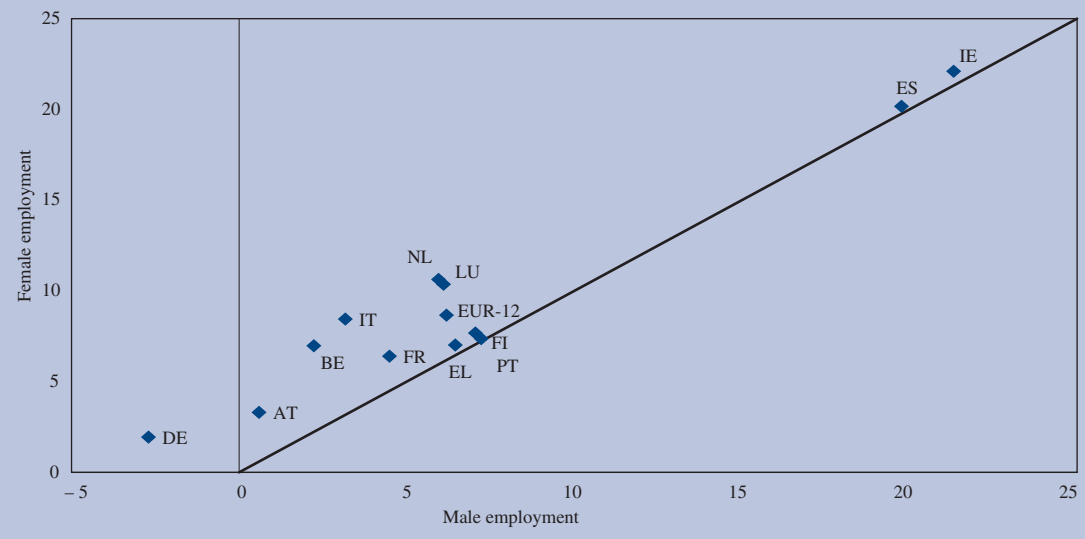
'Other business services', 'health and social work' as well as 'legal, technical and advertising' services have contributed strongly to job-creation in all Member

Graph 60: **Convergence of female employment rates 1996-2004**



Source: Commission services.

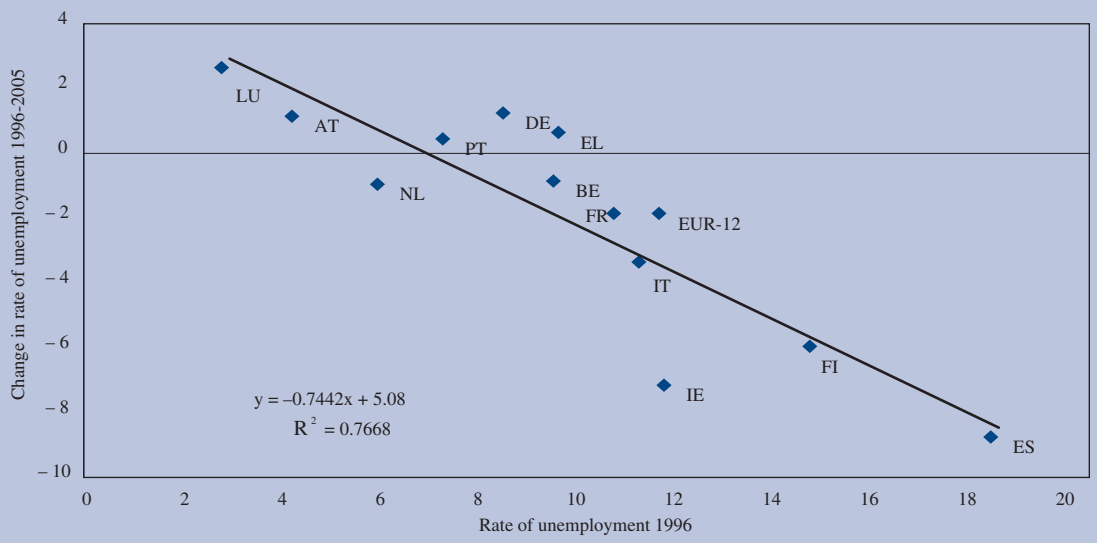
Graph 61: **Contribution of male and female employment to employment growth 1996-2004**



Source: Commission services.

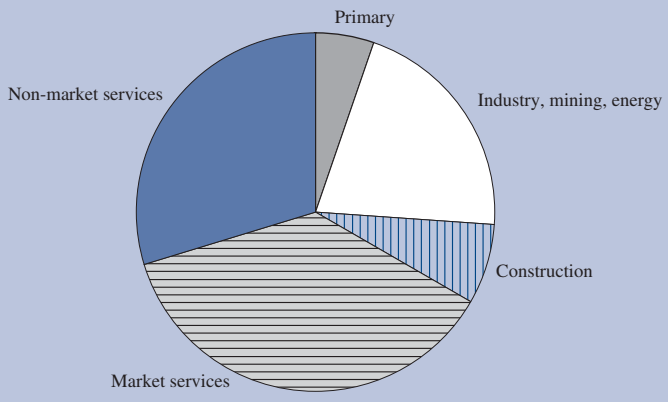
States. Notable differences from the euro area developments can be seen in the Dutch and Spanish 'retail sector', which grew more strongly in these countries rather than in others. Similarly, 'construction' contributed strongly to employment growth in Spain, Portugal, Ireland and Finland while in Germany and Austria, it was the sector with the highest job destruction. The contribution of employment growth in 'public administration' was negative only in Germany, France and Italy.

Graph 62: **Convergence of unemployment rates**



Source: Commission services.

Graph 63: **Sectoral breakdown of employment in the euro area 2003**

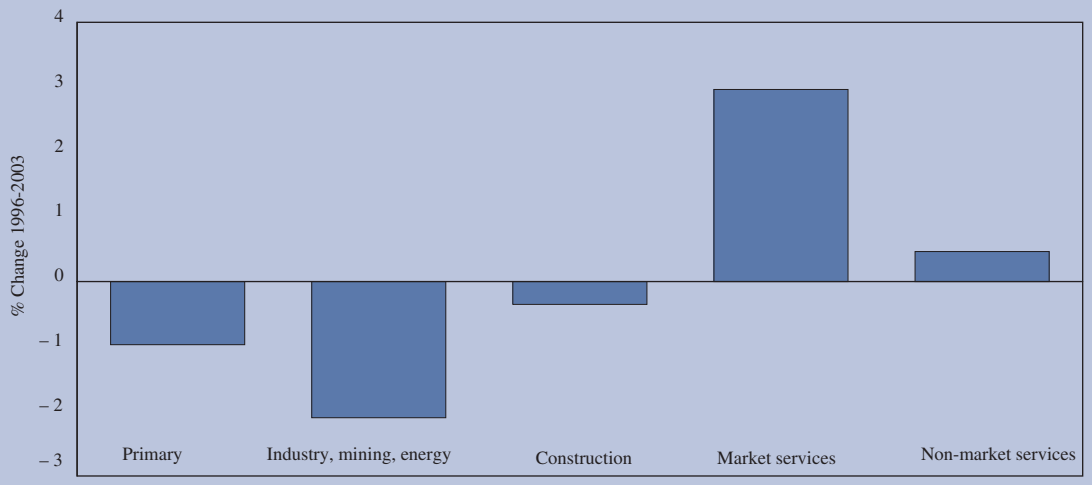


Note: Excluding EL and LU
Source: GGDC, Commission services.

Despite these differences, basically the same sectors contributed most to the 1996-2003 employment growth across countries. Low employment growth sectors have also been relatively similar. The similarity is stronger for market services than for manufacturing sectors, which suggests that common factors drove employment in services whereas specialisation or other country-specific trends influenced employment growth in manufacturing ([1]). Although the expanding or shrinking sectors were the same in most countries, the magni-

([1]) The correlation of employment creation in non-market services across countries is comparable to that of market services, with the notable exceptions of Italy and Spain. Many more jobs were created in public administration in Spain than in the euro area. In Italy, employment creation in health, education and private households was weaker than in the euro area.

Graph 64: **Change in the sectoral breakdown in the euro area 1996-2003**



Note: Excluding EL and LU
Source: GGDC, Commission services.

tude of employment growth differed noticeably across countries. Cross-country differences in the sectoral contribution to employment growth were generally smaller in manufacturing, but were pronounced in construction and services, with the exception of R & D.

The impact of the sectoral composition on the differences across countries in employment growth can be seen comparing the actual with the hypothetical growth when all countries have the composition of the euro area aggregate. The effect of composition is small relative to the differences across countries in employment growth of each sector (Graph 65). This effect has been mainly determined by a small share of employment in growing sectors rather than by a large share in shrinking sectors (Graph 66). The largest effect is recorded for Austria, Portugal, Finland and Ireland, all having a large employment share in branches of the services and manufacturing sectors that contributed most to employment growth in the euro area. In addition, they benefited from more rapid employment creation in less dynamic sectors in the euro area at large, i.e. 'computer services' in Finland, 'chemicals' in Ireland, 'construction' and 'trade services' in Portugal, or 'instruments and motor vehicles' in Austria ([1]).

From the labour demand side, the evidence suggests that the initial structure of employment had only a small impact on employment trends. Although the service sector was the most dynamic sector in all Member States, large differences exist in the contribution of different service activities. In the case of manufacturing, the differences across countries were relatively limited. Cross-country differences in sectoral employment performance were most marked in construction. Thus, labour demand has been different across euro area Member States and it is reasonable to assume that these differences are caused by differences in output growth or determinants of output growth.

6.4.3. Differences in initial wage levels: Are they related to differences in employment trends?

Increasing economic integration implies that price and wage differences across countries become more important. By increasing price transparency and consequently the comparability of labour costs, EMU may have strengthened the incentives for enterprises to move production across borders especially into countries with low wage levels.

On the basis of the compensation per employee – which include wages, salaries and social security contributions

([1]) The Graphs A3 and A4 in the Annex report the results if the sectoral composition had been similar to the USA in 1996. Since employment grew mainly in services and the share of services is higher in the USA, all Member States would have had higher employment growth if they had the sectoral composition of the USA of the mid-1990s.

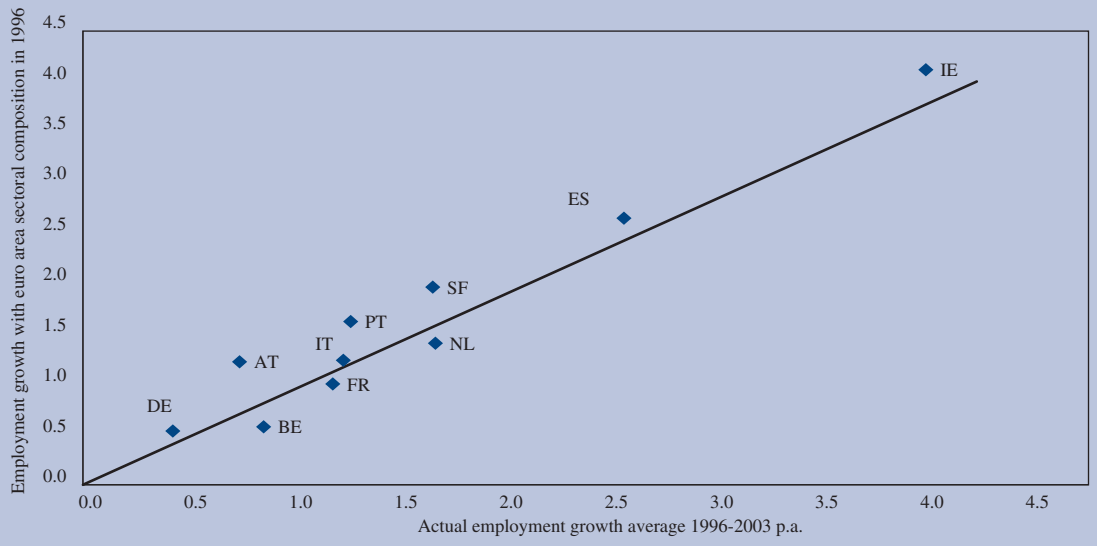
Table 20

Sectoral composition of employment 1996-2003

	EUR-12	BE	DE	ES	FR	IE	IT	NL	AT	PT	FI
Share of employment in total employment											
Primary	4.2	2.5	2.5	6.8	4.1	8.2	5.1	3.6	13.8	10.7	6.3
Industry, mining, energy	18.8	17.0	22.3	18.9	16.2	19.2	23.3	14.1	17.5	21.3	20.8
Construction	7.1	5.9	7.3	10.0	6.1	9.3	6.6	6.1	6.9	9.5	6.4
Market-services	39.9	41.9	39.0	36.6	39.4	37.9	37.0	44.4	37.8	32.1	33.6
Non-market services	30.1	32.7	28.9	27.6	34.2	25.3	27.9	31.6	24.0	26.4	32.9
Five sectors with highest job creation in the euro area (rank of contribution to total employment growth 1996-2003)											
Other business services	1	2	1	3	1	6	1	2	1	5	3
Health and social work	2	1	2	5	2	2	11	1	3	3	1
Legal, technical and advertising	3	3	5	7	4	9	2	4	2	10	12
Hotels and catering	4	4	3	4	8	3	3	11	6	4	11
Other community, social and personal services	5	9	4	14	3	5	6	6	5	2	5
Five sectors with highest job destruction in the euro area (rank of negative contribution to total employment growth 1996-2003)											
Agriculture	1	1	3	1	1	1	1	2	2	1	1
Clothing	2	4	14	7	2	2	2	7	6	9	7
Textiles	3	2	17	23	5	3	5	5	8	2	10
Electricity, gas and water supply	4	14	13	3	29	16	6	4	13	21	3
Mining and quarrying	5	22	6	2	6	26	15	15	24	25	25

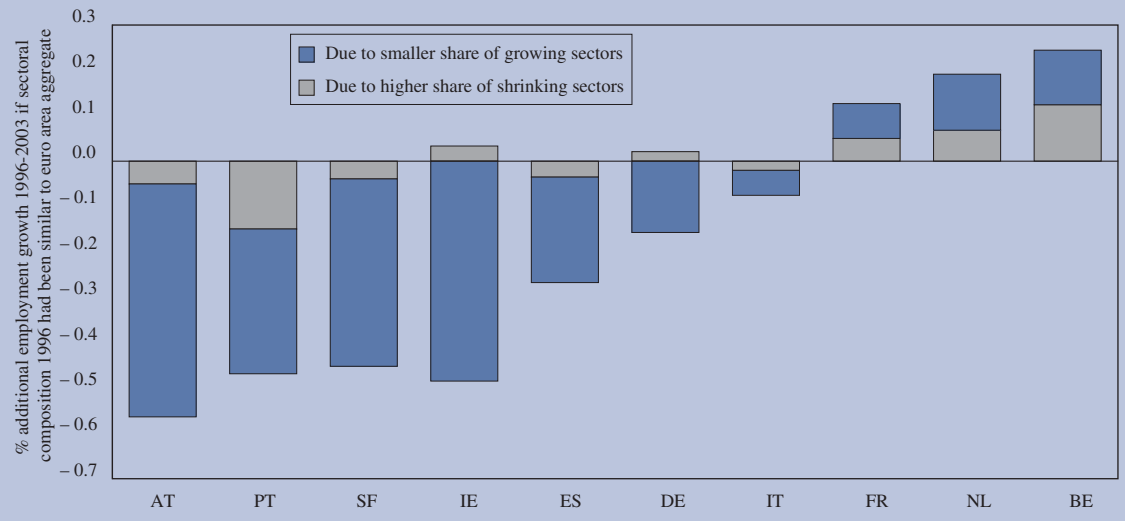
Source: GDGC, Commission services.

Graph 65: **Actual and hypothetical employment growth if the sectoral composition in 1996 had been the same as in the euro area, average 1996-2003**



Note: Excluding EL and LU
Source: GGDC, Commission services.

Graph 66: **Breakdown of sectoral composition effect**



Note: Excluding EL and LU. Positive numbers indicate that countries benefited from their sectoral composition.
Source: GGDC, Commission services.

– in 1996, labour costs in Portugal and Greece were less than half of the euro area average whereas in Belgium and Luxembourg they were 30 % higher (Graph 67). Domestic prices, however, are important for firms that serve the domestic market but less so for those that sell to the euro area market. The range is smaller if purchasing power standards are used because richer countries have both higher wages and prices. A further factor is differences in hours worked. Employees in richer countries tend to work fewer hours, which leads to higher cross-country difference in hourly labour costs than in labour costs per employee.

A further important factor that needs to be taken into account is productivity differences. Indeed, Graph 68 shows that wage differences in 1996 were closely tied to differences in labour productivity. Graph 69 presents a comparison of relative unit labour costs (ULC) adjusted for cross-country differences in 1996 price levels ([1]). Thus, the bars represent labour costs from the perspective of firms employing domestic labour but selling output abroad, i.e. domestic prices do not matter for its price competitiveness.

([1]) This was done by deflating nominal labour productivity by purchasing power standards and comparative GDP price levels. Usual indicators of nominal ULC are calculated as an index, which means that prices are set equal to 100 for the base year. This means that the price level in the base year is assumed to be equal across countries. The method used here explicitly adjusts for price level differences in the base year.

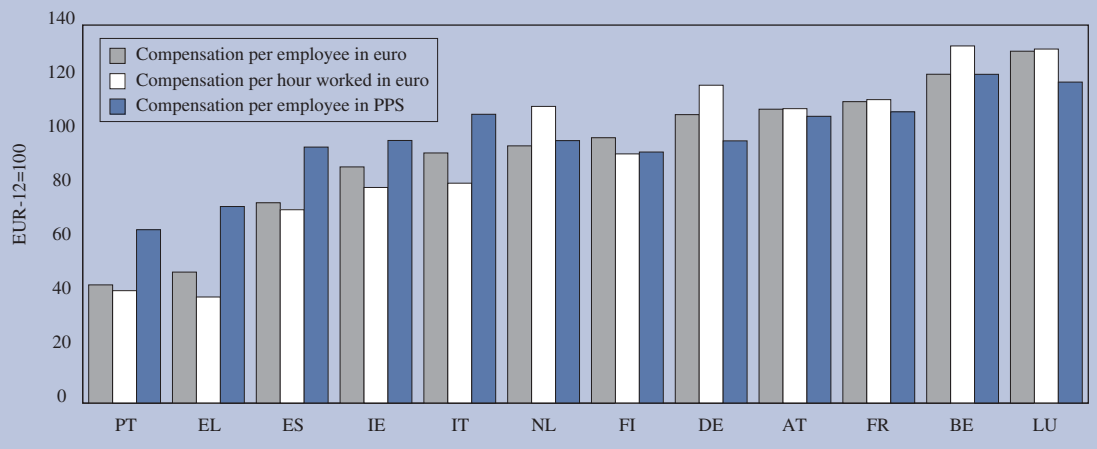
Although cross-country differences in these adjusted labour costs are much smaller than for nominal labour costs, some countries were positioned well below the euro area average (Portugal, Greece, Italy, Spain, Ireland). These are broadly the same countries that witnessed a strong growth or employment performance over the last years. Countries with a high adjusted labour cost level in the mid-1990s had weak employment growth over the following decade (Germany and Austria) (Graph 70).

The results emerging from the labour supply and labour demand perspective are not necessarily contradictory. Employment has grown in countries with ample labour market slack, implying that they had some leeway for catch-up growth not only in terms of productivity but also in terms of labour utilisation. This catch-up process was also supported by initial lower labour costs in some countries. This also holds if productivity differences are accounted for. EMU might have affected these employment trends either by inducing further industrial specialisation across countries or by fostering cyclical adjustment patterns. These issues will be addressed in the next section.

6.5. Wage adjustment in the euro area

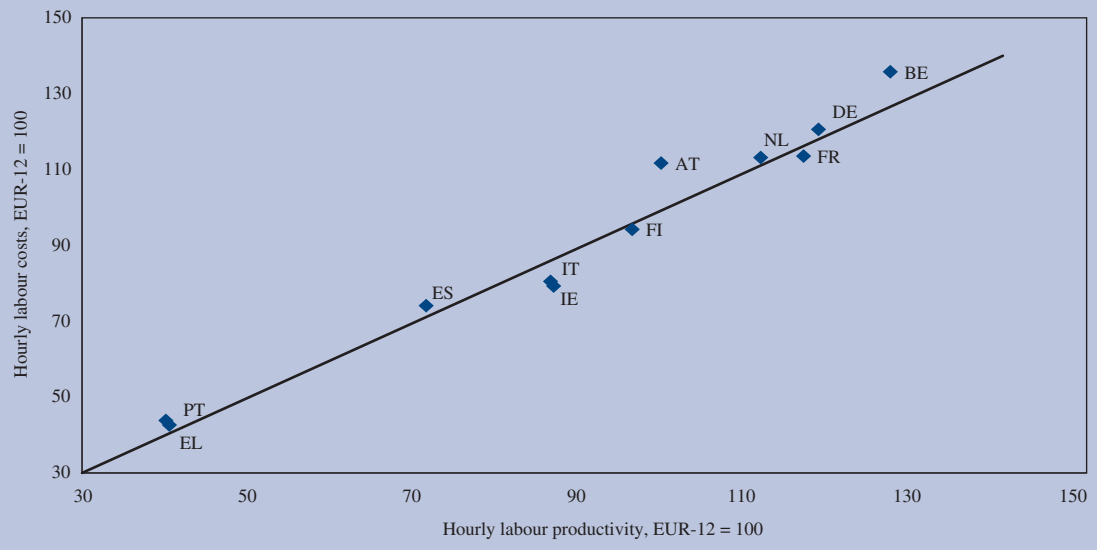
The previous chapter identified persistent differences in employment performance among the euro area countries over the last 10 years. This chapter assesses whether

Graph 67: **Initial wage levels in the euro area Member States 1996**



Source: Commission services.

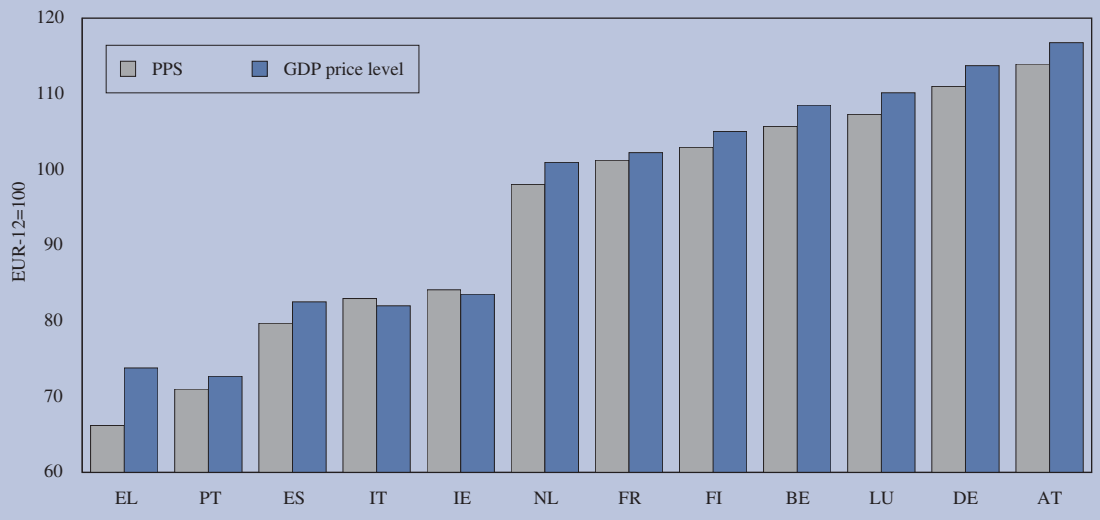
Graph 68: **Initial wage and labour productivity levels in the euro area Member States 1996**



Source: Commission services.

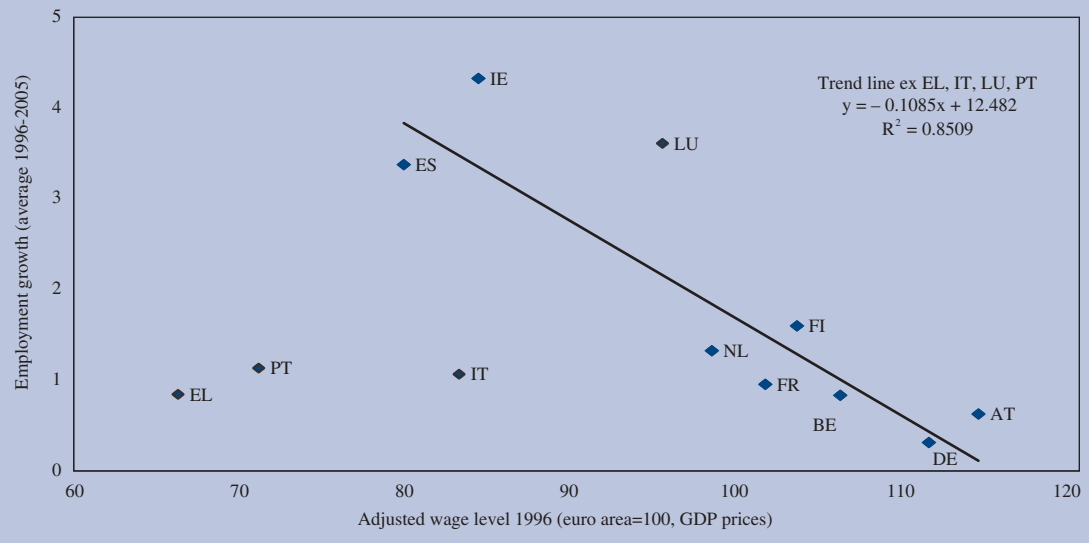
wage developments contributed to re-balance these differences. The issue of wage adjustment is analysed at the aggregate and at the sectoral level. Section 6.5.1 explores the response of wages to employment as large differences in wage trends across countries could contribute to rebalance differences in employment performance. Section 6.5.2 discusses the impact of a change in wages on employment. Both sections try to clarify the role of labour market institutions as determinants of cross-country differences. Section 6.5.3 deals with sectoral adjustment, looking into differences across countries in relative wages and employment. As shifts in the size of the tradable and the non-tradable sector contribute to current account adjustment, the analysis focuses

Graph 69: **Relative unit labour cost levels in the euro area Member States 1996**



Source: Commission services.

Graph 70: **Relative unit labour cost levels 1996 and employment growth in the euro area Member States 1996-2005**



Source: Commission services.

mainly on the distinction between sectors exposed to and sheltered from international competition. Finally, the role played by differences in sectoral wages in sectoral reallocation is analysed ([1]).

6.5.1. Impact of labour market performance on wage developments

Descriptive analysis of the wage-employment relationship in the euro area countries

Despite significant differences in the wage formation systems across euro area countries, wage developments over the past 10 years appear broadly in line with cross-country differences in employment performance (Graph 71). Countries with relatively low employment growth also had relatively low growth of hourly labour costs over the period 1996-2005. Portugal and Greece, with a relatively high wage growth and weak employment performance, are the most notable exceptions. Greece joined the euro area only in 2001 and the high wage growth may be explained by the devaluation of the Greek currency relative to the euro before the adoption of the euro ([2]).

Many countries had a combination of employment and wage growth close to the euro area aggregate (Graph 72). Consistent with their low employment performance and the high relative wage level identified in the previous section, Germany and Austria experienced relatively little wage growth. Starting from a low wage level in the mid-1990s, Ireland combined strong employment and wage growth. Greece, Portugal and Spain, all with relative low wage levels in the mid-1990s, had different prices and quantities dynamics over the last ten years. Only Spain managed to combine high wage growth with high employment growth ([3]). Overall and across the different indicators, employment growth is consistently linked to lower wage growth in those euro area Member States with a high initial wage level ([4]).

It may be informative to split the period 1996-2005 into two sub-periods, covering the cyclical upswing 1996-2000 and the slow growth period 2001-05. Graph 73 shows that wage growth was relatively similar in most countries in both periods (i.e. they cluster around the euro area average), suggesting that wage developments in the euro area are little influenced by cyclical conditions. Deviations from the euro area average can be noticed for four countries. Austria and Germany had the lowest wage growth in both periods, concurring with their weak relative employment performance. In contrast, in Greece and Ireland, wages grew markedly above the euro area average in both periods in line with, respectively, their strong employment growth and GDP performance. In countries with high employment growth such as Spain and the Netherlands, wage growth was close to the euro area aggregate in the first period, but above it in the slow growth period. The opposite can be observed for Italy. In Finland, Greece and Belgium, real wages increased during the slowdown more than they did during the expansion while in Austria, Germany, Italy and Portugal real wages grew markedly less in the period of slowdown.

Graph 74 suggests that productivity developments over the cycle contributed to keep nominal ULC growth during the period of slowdown above the rates observed for the upturn, implying that wages failed to keep pace with the cyclical slowdown in productivity. As suggested by the development of real unit labour costs (Graph 76), in several countries nominal ULC grew by less than the price of final output (the GDP deflator) during the slowdown. Unit labour costs rose above that of final output only in Italy, Luxembourg, Finland and Portugal. In Portugal, ULC grew at the same rate in both recovery and slowdown. Finally, in Germany and Spain, real ULC declined during the slowdown more than during the expansion, implying a further consolidation of the gains in competitiveness achieved during the expansion.

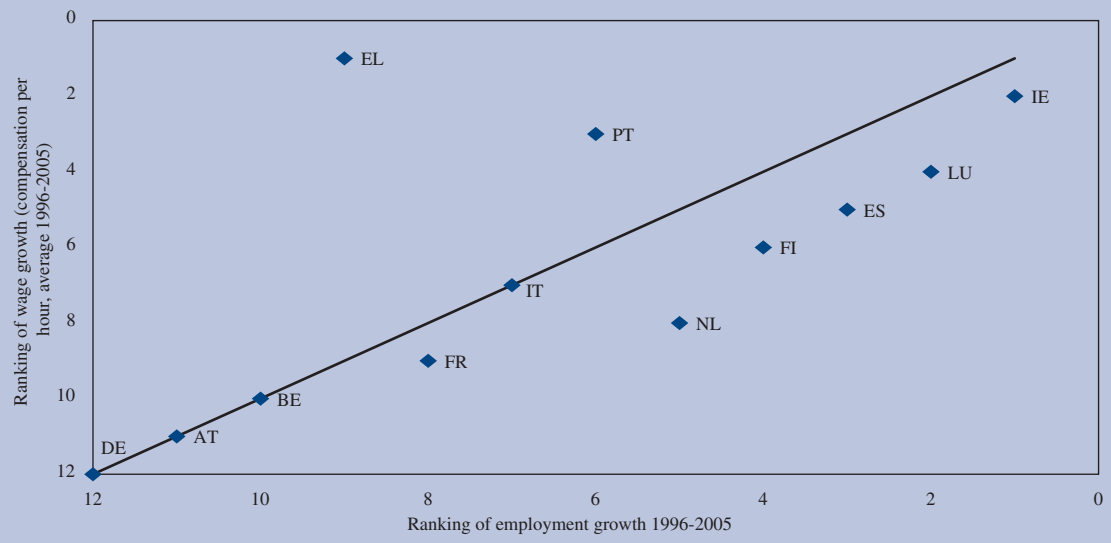
([1]) Wages expressed in common currency implies the perspective of a firm that produces with domestic labour as the only — or at least dominant — production factor and sells at the euro area market, i.e. considering the euro area inflation rate as relevant. Since this viewpoint is not relevant for all kind of goods, the sectoral part explicitly takes up the distinction between tradable and non-tradable goods. For most of the period under investigation, countries shared the euro as common currency. The exception is Greece, which joined the euro area only in 2001. Moreover, the Italian currency was stable against the ecu/euro only from 1997 onwards. A further special effect related to Italy was a change in the calculation of compensation, which distorts figures in 1998. In the analysis below, a proxy that is closer to the true developments in 1998 than the observation published in the national accounts is used.

([2]) Greek producers that only serve the domestic market were less exposed to wage pressure than the graphs suggest. However, Greek producers that operate on the euro area market were faced with the highest increase in domestic labour costs in the euro area.

([3]) The use of alternative indicators such as compensation per employee or nominal ULC does not change the pictures substantially (See Graphs A17-A21 in the Annex). The ranking is less stringent for compensation per employee because of different trends in the spread of part-time employment across Member States. The ranking in terms of ULC, finally, is somewhat more uneven because the productivity performance differed from wage developments in some countries.

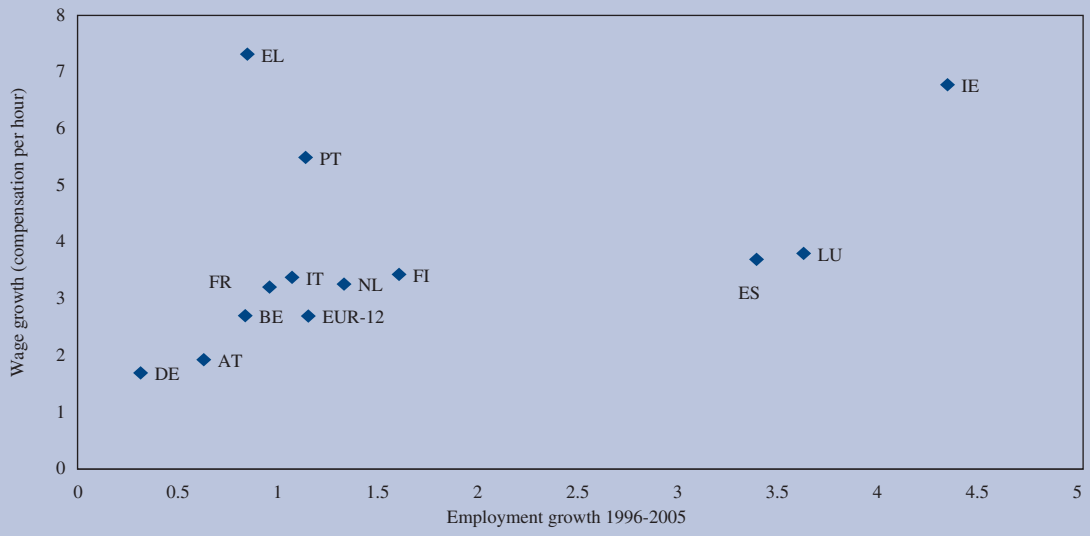
([4]) The reasoning is based on compensation per hour worked as relevant indicator of wage developments. The use of alternative indicators such as compensation per employee or nominal unit labour costs does not change the pictures substantially.

Graph 71: **Ranking of employment and wage growth**



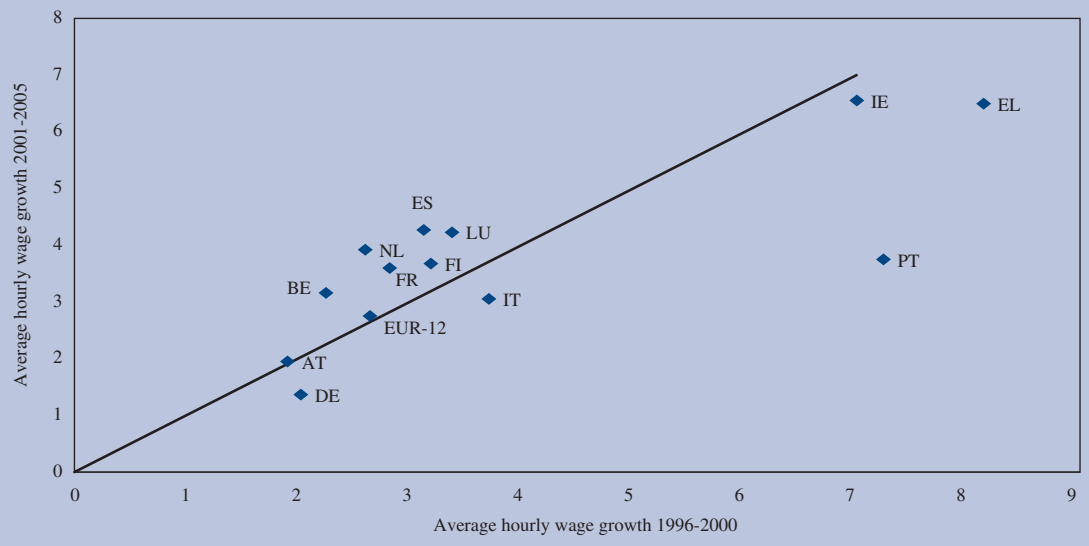
Note: Low ranks imply better employment performance (x-axis) and high wage growth (y-axis).
Source: Commission services.

Graph 72: **Wage and employment growth 1996-2005**



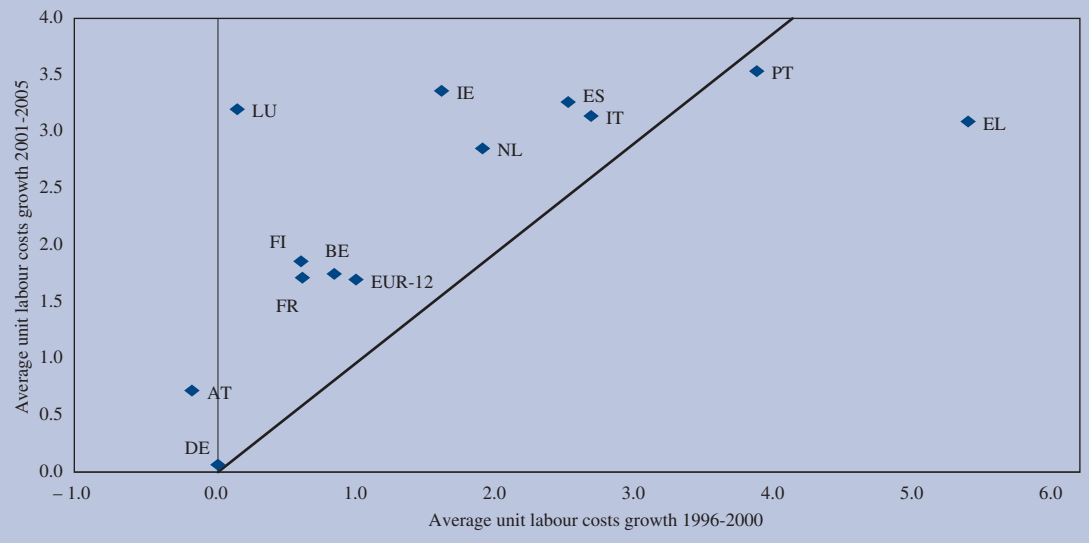
Source: Commission services.

Graph 73: **Nominal wage growth in boom and slump**



Source: Commission services.

Graph 74: **Nominal unit labour costs growth in boom and slump**

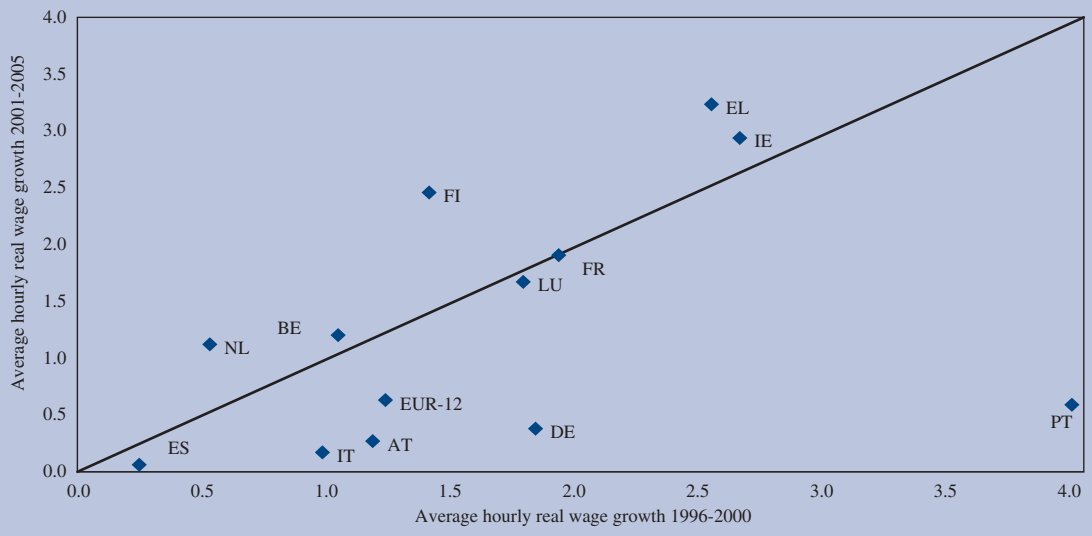


Source: Commission services.

The elasticity of real wages with respect to unemployment and productivity

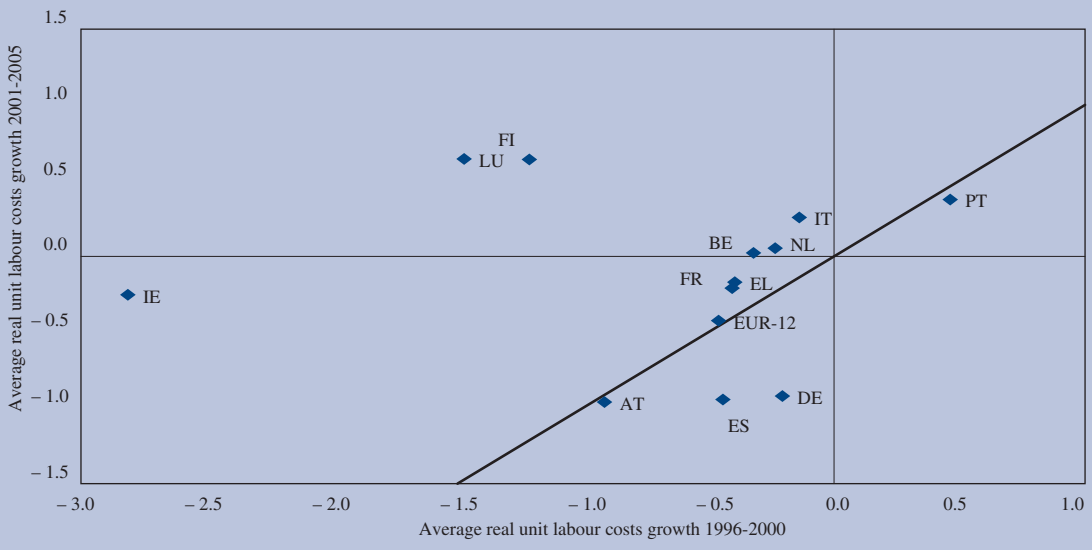
The estimation of the elasticity of real wages to unemployment and productivity allows for a systematic analysis of the response of real wages to labour market conditions. Several multi-country studies have recently reported the results of estimated macroeconomic wage equations and NAIRU-equations. Differences in the elasticity across countries could reflect differences in the flexibility of national labour markets. As shown in Table 21, the euro area and the USA have similar elastic-

Graph 75: **Real wage growth in boom and slump**



Source: Commission services.

Graph 76: **Real unit labour costs growth in boom and slump**



Source: Commission services.

ity of wages with respect to prices and unemployment. Wages in the USA seem to be more responsive to productivity than in the euro area.

The similarity between the euro area and the US elasticity contrasts with the patterns observed during the slowdown of 2001-03. Wage growth decelerated quickly and

Table 21

Elasticities of wages with respect to prices, productivity and unemployment in the economic literature

	USA	UK	Euro area
Prices – average of 4 studies	**0.9**	**0.7**	**0.9**
Van den Horst	0.6	0.5	1.0
Barrell/Dury		0.4	0.7
EFN – level	1.1	1.1	0.9
EFN- difference	0.9	1.0	1.0
Productivity –average of 6	**1.1**	**0.3**	**0.9**
Van den Horst	0.6	0.5	1.0
ECFIN	0.8	0.4	0.5
EFN – level	1.9	0.9	1.4
EFN – difference	0.6	– 0.1	0.5
AQR/IWH – level	0.8	0.2	1.4
AQR/IWH – difference	1.6	0.1	0.5
Unemployment* – average of 7	**– 0.3**	**– 0.4**	**– 0.4**
Van den Horst	– 0.4	– 0.8	– 1.4
ECFIN**	– 0.5	– 1.2	– 0.2
Barrell/Dury	NA	– 0.2	– 0.3
EFN – level	– 0.1	– 0.1	– 0.1
EFN – difference	– 0.4	– 0.2	– 0.5
AQR/IWH – level	– 0.2	– 0.1	– 0.2
AQR/IWH – difference	– 0.2	– 0.1	– 0.1

Note: In some studies, there is no euro area estimate. In this case, the euro area observation is the weighted average of the elasticities of euro area Member States. The weights are the Member States' share in euro area compensation. * semi-elasticity, ** uses cyclical unemployment.

markedly in the USA whereas it was sluggish in the euro area. The similarity across the Atlantic of the average response of wages to unemployment is not a surprise. Indeed, both high occupational and geographical mobility and the stabilisation of regional demand through federal transfers makes the adjustment of wages in the USA less relevant than in the euro area where alternative adjustment mechanisms are less prevalent.

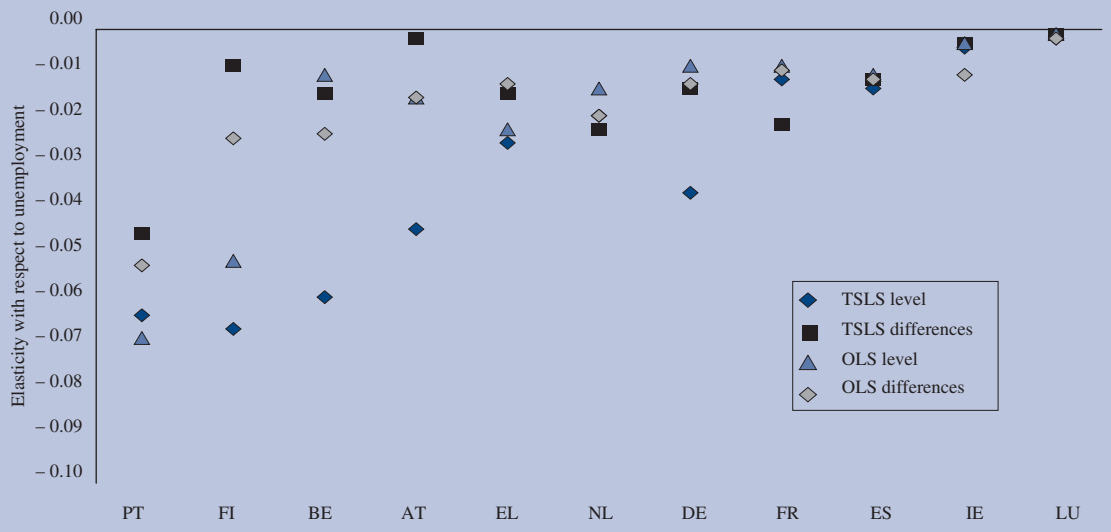
Rather than using the USA as a benchmark for the euro area, the following comparisons document differences in the responsiveness of wages to unemployment and productivity across the euro area countries. This can help identifying differences in wage flexibility and their institutional determinants. Graph 77 shows the response of wages to a one percent point increase in the unemployment rate. Countries are ordered according to the average elasticity from four different specifications. The elasticity varies markedly across countries and empirical specifications. Across different estimating techniques, the wage response is relatively high in Portugal and low in Luxembourg, Ireland, Spain, France, and Germany. Graph 78 shows the elasticity of wages to productivity found and the lower panel of Table A2 in the Annex gives a ranking across alternative methods used in the empirical literature. Wages respond relatively little to changes in productivity in France and Portugal, whereas the response is much stronger in Belgium, Austria, Spain and Germany. The differences in the results are greater across studies than across countries, implying that it is difficult to establish a robust hierarchy of countries with respect to wage flexibility.

A related concept is that of downward nominal wage rigidity, which is particularly relevant in a low-inflation environment because the nominal wages cuts needed to absorb labour market disequilibria are less feasible. Preliminary results from the international wage flexibility project indicate that nominal wages are less downwardly rigid in most euro area Member States than in the USA ([1]) where nominal wages are relatively rigid. Among the euro area countries, Greece, Italy and Portugal have a degree of downward nominal wages rigidity similar to the USA. However, real wages in almost all euro area Member States were found to be more rigid downwards than in the USA.

The available studies are not conclusive as regards the key determinants of wage rigidity and the direction of the influence. For example, Holden and Wulfberg (2005) find that downward nominal wage rigidity is more prevalent when inflation is high, unemployment is low, union density is high and employment protection is low. AQR/IWH (2005) estimates that the response of real wages to an unemployment shock is greater the higher the bargaining power of trade unions. In contrast to the findings of Holden and Wulfberg and AQR/IWH, the preliminary results from the international wage flexibility project indicate a positive relationship between wage rigidities and unemployment and suggest that unionisation may reduce nominal wage rigidity while raising real wage rigidity. Bauer et al. (2003) find that higher inflation is associated with lower nominal and higher real wage rigidity. While Campoli and Faia (2006) detect that the variability of both wages and ULC is higher, i.e. more flexible, the lower the benefit replacement rates; benefit replacement rates are no significant determinants of wage flexibility in AQR/IWH (2005).

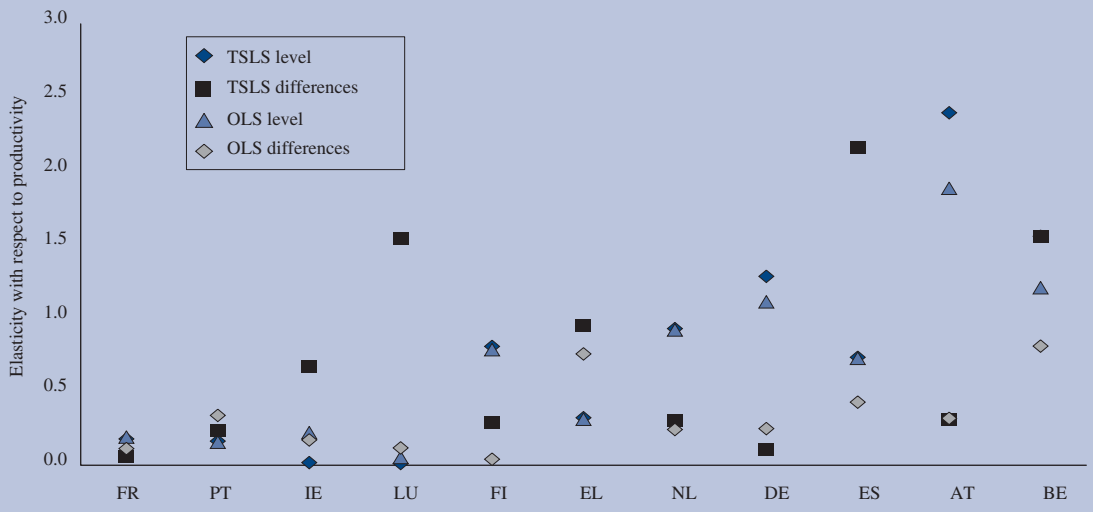
([1]) See Ward-Warmedinger (2006).

Graph 77: **Elasticity with respect to unemployment according to different specifications**



Note: Italy not shown because of difference in dimension of the found elasticity. Results for Italy were: -0.8, -0.03, -0.37, -0.05.
Source: AQR/IWH (2005), Commission services.

Graph 78: **Elasticity with respect to productivity according to different specifications**



Note: Italy not shown because of difference in dimension of the found elasticity. Results for Italy were: 4.1, 0.7, 2.7, 0.1.
Source: AQR/IWH (2005), Commission services.

6.5.2. Contribution of wage developments to employment performance

To shed light on why differences in employment growth have been persistent despite marked differences in wage growth, this section looks at the response of employment to wages. The impact of factors such as the initial level of wages on the relationship between wages and employment is analysed first. The section then reviews the values of the elasticity of employment to wages in econometric estimates and discusses the effect of labour costs on export performance.

Wage level convergence as a determinant of wage growth

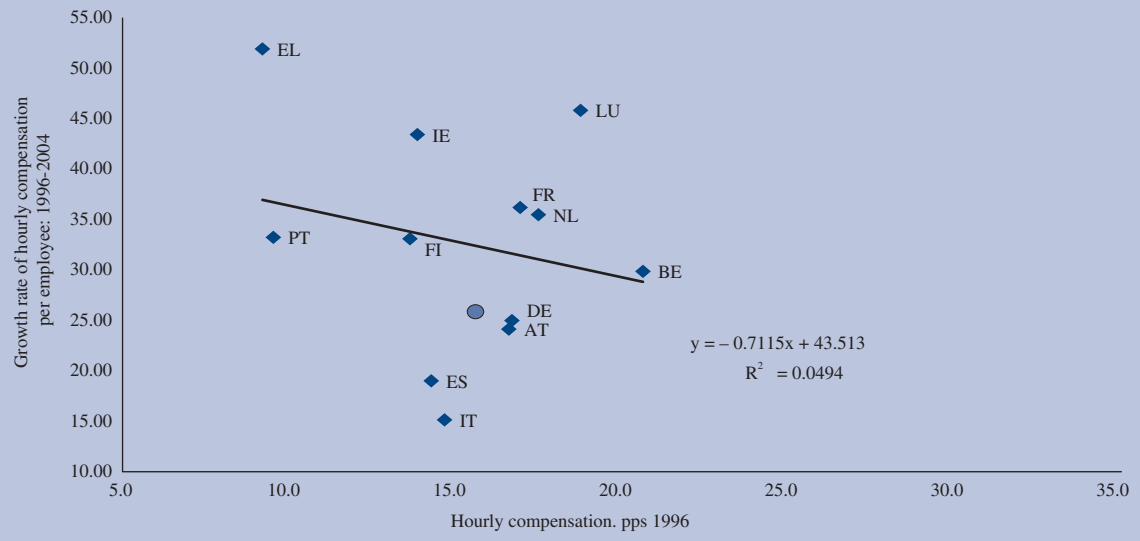
A reason why differences in wage growth contributed little to rebalance employment growth could be that wage growth reflected cross-country convergence rather than domestic labour market conditions. Previous sections have shown that countries with a low initial wage level experienced higher average employment growth than those having a high level of wages ten years earlier. At the same time, there was a positive correlation across countries between employment growth and wage growth.

Graph 79 and Graph 82 reveal that these two findings can be combined into a consistent relationship between the initial level of wage, or relative ULC, and wage (or ULC) growth. Countries with a low wage or ULC level in the mid-1990s had in the period 1996-2004 higher wage growth and vice versa. Examples are Germany and Austria for the combination of high initial wage levels and low wage growth and Portugal, Ireland, Finland and Greece for a low initial wage level combined with high subsequent wage growth.

The wage convergence is less rapid than the convergence in nominal unit labour costs. This different pattern is explained by the low convergence of productivity. This low convergence of productivity can be harmful for the competitiveness of countries with relative low productivity and low wage levels, but high wage growth. Indeed, the relative low productivity growth makes it difficult to adjust downward unit labour costs through wage compression if wages grow faster because of catching up. This is also evident from Graph 82. The graph reports the convergence in the nominal ULC of each country with respect to the remaining countries of the euro area. The relative unit labour cost is therefore an index of wage competitiveness. Clearly countries with relative high labour costs gained competitiveness while countries with low labour costs lost competitiveness.

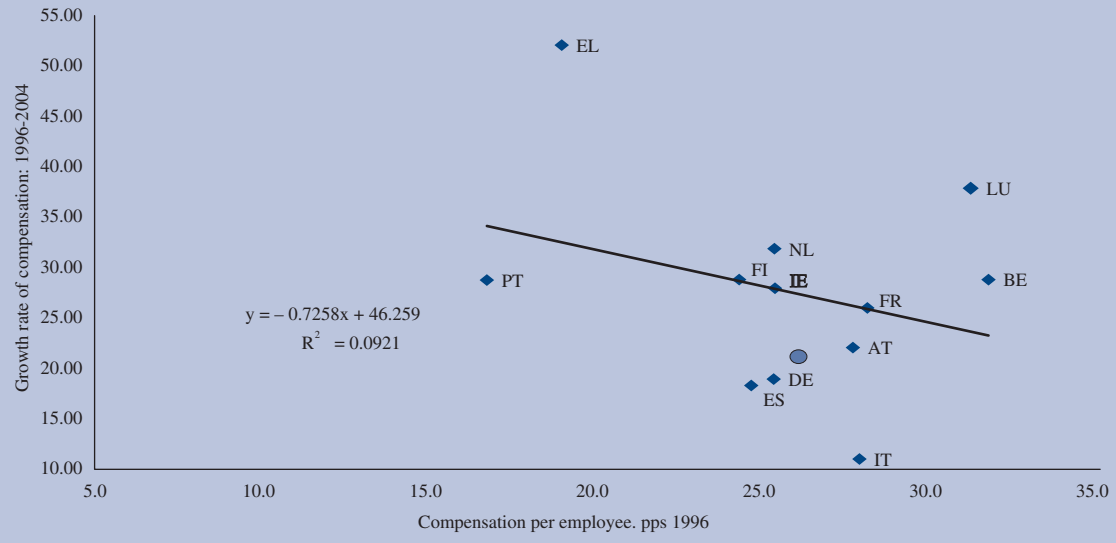
These findings suggest that differences in employment and wage growth reflect the convergence of wages to a common level. This implies that wage growth has not necessarily rebalanced employment growth and that differences in employment growth are likely to persist until labour cost convergence has been achieved. Hence, the functioning of the wage channel in the EMU adjustment process has been undermined by wage convergence.

Graph 79: **Convergence in hourly compensation**



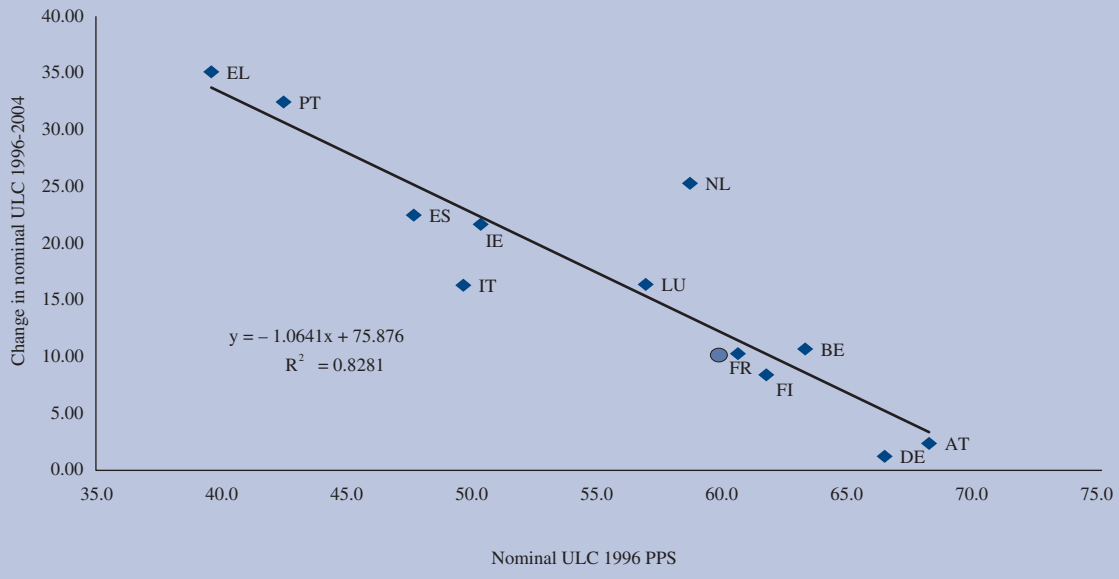
Source: Commission services. The circle symbol represents the euro area average.

Graph 80: **Convergence in compensation per employee**



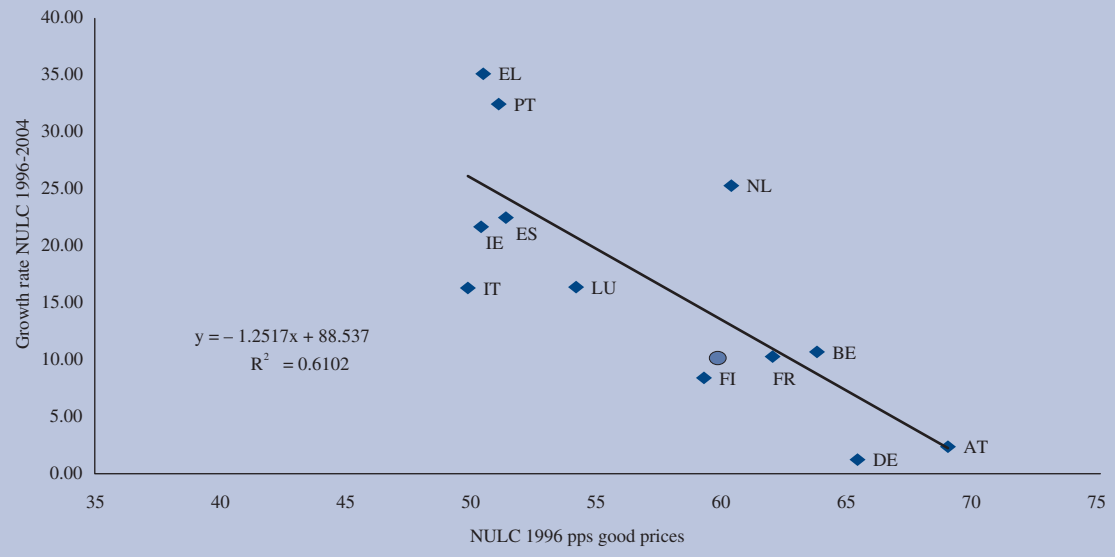
Source: Commission services. The circle symbol represents the euro area average.

Graph 81: **Convergence in nominal unit labour costs (adjusted for differences in prices of goods and services)**



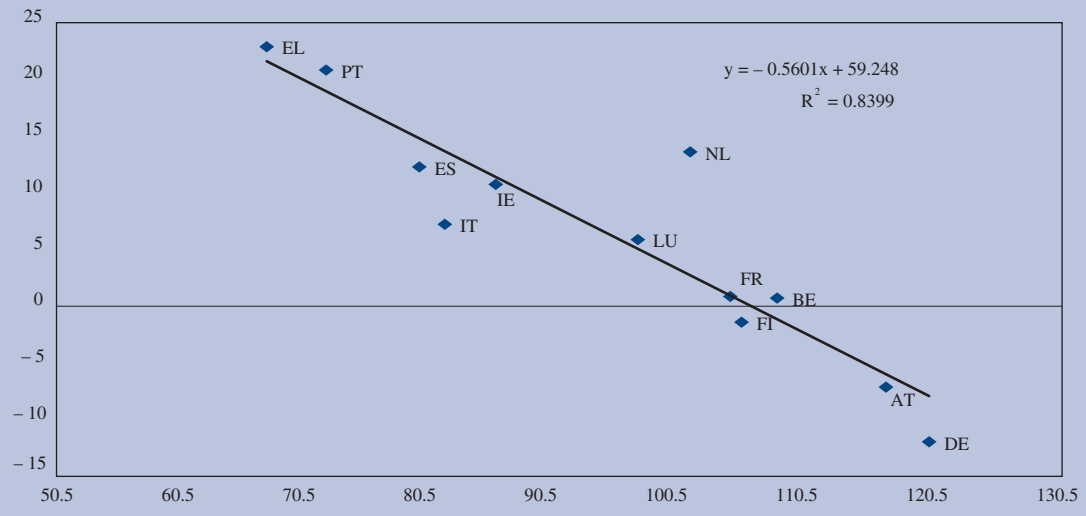
Source: Commission services. The circle symbol represents the euro area average.

Graph 82: **Convergence in nominal unit labour costs (adjusted for differences in goods prices)**



Source: Commission services. The circle symbol represents the euro area average.

Graph 83: **Convergence in relative nominal unit labour costs (adjusted for differences in prices of goods and services)**



Source: Commission services. The horizontal axis reports the ULC in PPS of a certain country relative to the unweighted average of the remaining countries.

Together with wage convergence, price convergence contributed to reduce the differences across countries in unit labour costs (Table 22) ([1]). The dispersion of hourly compensation, expressed as the standard deviation of labour costs relative to the euro area, declined between 1996 and 2004. Although the dispersion of labour productivity in current prices increased, the dispersion of relative ULC declined stronger than the dispersion of price levels. Remaining differences in 2004 are far from negligible for all indicators, though it is notable that the standard deviation of relative ULC has become smaller than that of prices.

The responsiveness of employment to wages in econometric estimates

The standard practice for studying the effect of a change in real wages to employment is the estimation of labour demand equations. A recent study for the European Commission has analysed the wage and output elasticity of the labour demand results for different econometric specifications and time horizons (response of employment after 2, 5 and 10 years). As far as the comparison between the euro and the USD is concerned, this evidence is rather inconclusive.

Table 22

Dispersion of the level of unit labour costs and its determinants, euro area Member States

	Standard deviation 1996	Standard deviation 2004	Change 1996-2004
Relative unit labour costs (GDP prices)	15.3	7.5	– 7.9
Relative unit labour costs (goods prices)	10.9	6.7	– 4.2
Compensation per hour	30.4	28.5	– 1.9
Compensation per employee	25.5	23.5	– 2.1
Labour productivity per hour	29.7	30.5	0.7
Labour productivity per person employed	25.7	26.5	0.8
GDP prices	14.4	10.8	– 3.6
Good prices	9.4	8.8	– 0.6

Note: Standard deviation among the 12 euro area Member States, with EUR-12=100 for each variable and year. Nominal unit labour costs with labour productivity deflated either with comparable GDP price level or good price levels. Compensation and labour productivity in current prices in euro.

Using the results of the VAR analysis, Graph 84 shows the response of employment to a real wage shock after two years in four different specifications. Countries are ordered according to the average impact of the wage shock over the four different estimates, indicating that real wages would have the strongest impact on employment in Ireland, Spain, Belgium and the Netherlands and the lowest impact on employment in Italy and Austria ([2]).

Graph 85 shows the response after two years of employment to a real GDP shock. According to the average results, the responsiveness of employment is low in the three largest euro area Member States. The strongest employment response was found in Ireland, the Netherlands and Belgium. For the other countries, the high variation of results over the different specifications prevents any conclusive statement about the employment response. The response of employment to a GDP is of the same order in Austria, Greece, Spain, Luxembourg and Finland and stronger than in France, Germany and Italy.

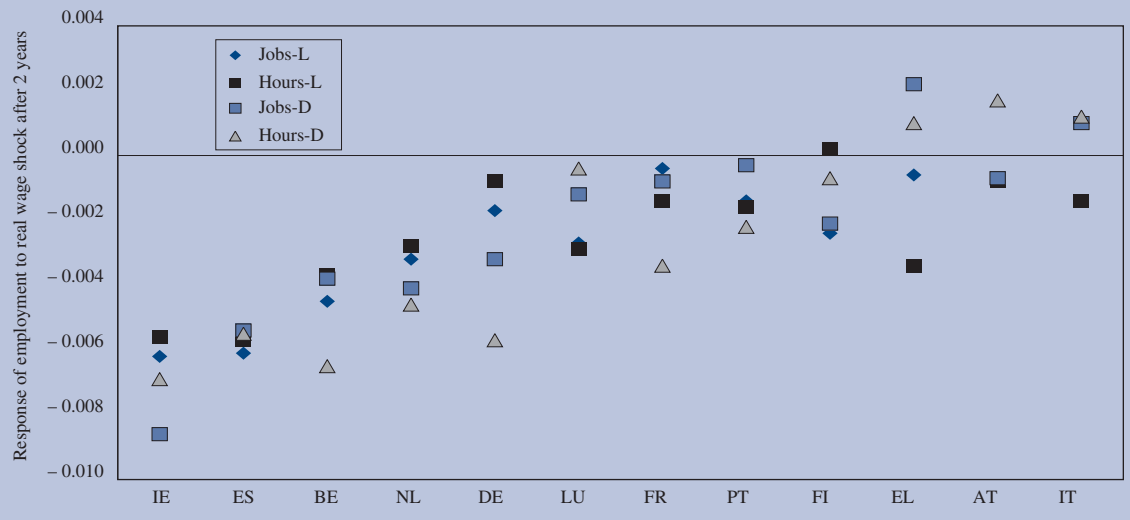
Little is known about the institutional determinants of the wage channel. The difference between the response of employment to an output shock in big and small countries suggest that the degree of exposure to international competition might have an important effect. The results in AQR/IWH (2005) suggest that the response of employment to a real wage shock is weaker, the stronger the trade unions, the tighter the employment protection and the more spending is devoted to public employment services.

Cross-country differences in the responsiveness of employment to real wages are not evidently linked to differences in employment performance among the euro area countries. It is equally difficult to relate the relatively high responsiveness of employment to real wages in Ireland, Spain and the Netherlands to the adjustment observed in these countries after 2000. While the wage channel may have contributed to bring employment

([1]) For GDP prices, the range declined from 72-117 % of the euro area level in 1996 to 82-111 %. When prices of goods are used, which contain a larger share of tradables, the range declined from 83-115 % in 1996 to 90-114 % in 2004.

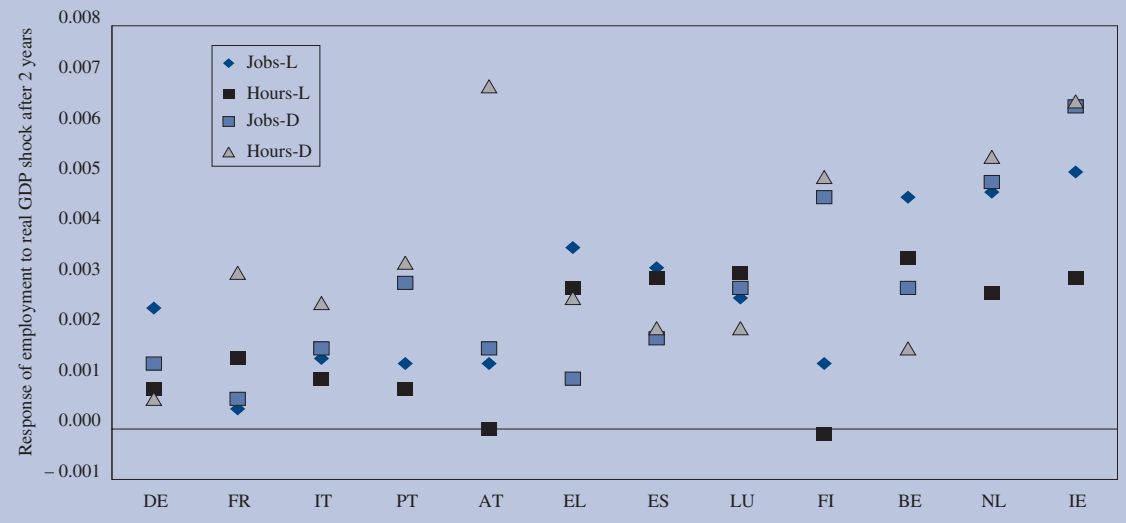
([2]) However only in Spain the different estimates are similar. The high variation across estimates in Germany and Greece suggests that little can be said with confidence about the impact of wages on employment in these countries.

Graph 84: **Response of employment to a real wage shock, results from 4 different estimates**



Note: L = estimate in levels, D = estimate in differences.
Source: AQR/IWH (2005), Commission services.

Graph 85: **Response of employment to a real GDP shock, results from 4 different estimates**



Note: L = estimate in levels, D = estimate in differences.
Source: AQR/IWH (2005), Commission services.

growth in the Netherlands more in line with the euro area average, in Spain and Ireland high wage growth did not visibly reduce the demand for labour.

The impact of differences in labour costs on export performance

The openness of the economy may influence the contribution of wage developments to re-balancing growth differences in the euro area. Member States differ substantially in their degree of openness, with smaller countries being more open to international trade. This section analyses the relationship between ULC and, respectively, export performance and employment in the export sector. The next section focuses on the interdependence between wage developments in the tradable and the non-tradable sector.

Changes in labour costs have an impact on changes in price competitiveness and export performance. Changes in wages in one country translate into changes in price competitiveness against euro area countries directly through their trade links, and indirectly through the effect on competitiveness towards partners of non-euro area countries that trade regularly with different euro area Member States. Graph 86 suggests for the period 1996-2005 that countries with high ULC growth in manufacturing had a worse export performance than countries with low unit labour cost growth ([1]). The relationship between ULC and export performance is much looser when ULC refer to the total economy (Graph 87) rather than to manufacturing, implying that international competition exerts some control on wage moderation in manufacturing, but fewer to other sectors ([2]).

Evidently, labour costs have some effect on export performance. Cross-country differences in labour cost developments seem to have contributed to adjustment in the euro area via their impact on external demand. In line with economic theory, there is also an inverse relationship between labour cost developments in manufacturing and employment in manufacturing. However, this relationship is not robust. An explanation of this finding is that a large part of the cross-country differences in the growth of manufacturing output was due to differences in productivity performance. For example, output growth in Ireland, Finland, Germany and Austria was mainly driven by strong growth of labour productivity in manufacturing in 1996-2005, while these countries displayed markedly different trends in job-creation in manufacturing. A further reason may be related to different trends in domestic demand, leading to a shift in manufacturing output from domestic purposes to exports ([3]). The strength of the link between competitiveness and employment is stronger for the change of the employment share in manufacturing than for employment growth in manufacturing, but only for the sub-period 2001-05 (Graph 89) ([4]). This outcome may be driven by the world demand and domestic demand being less buoyant in this sub-period than in 1996-2000, which may have increased the importance of cost considerations in firms' hiring decisions.

6.5.3. The impact of relative wages on sectoral adjustment

The analysis at the aggregate level focused on the impact of wage developments on employment performance. This section looks at sectoral adjustment, namely at the impact of price competitiveness changes on the allocation of labour between tradable and non-tradable sectors. As discussed in section 6.2.1, the loss in international price competitiveness followed by shift of employment from the tradable to the non-tradable sector may contribute to absorbing current account disequilibria and excess employment in the tradable sector ([5]).

This section will describe the differential patterns followed by labour costs in the tradable and the non-tradable sector and then the differences in employment growth in these sectors. Close correlation of wage growth in both sectors may delay adjustment and lead to persistent cross-country differences in employment growth. Countries losing external competitiveness

([1]) However, excluding Ireland and Italy does not change the position of the trend line, but lowers the R2 substantially from 0.42 to 0.13, i.e. the goodness of fit.

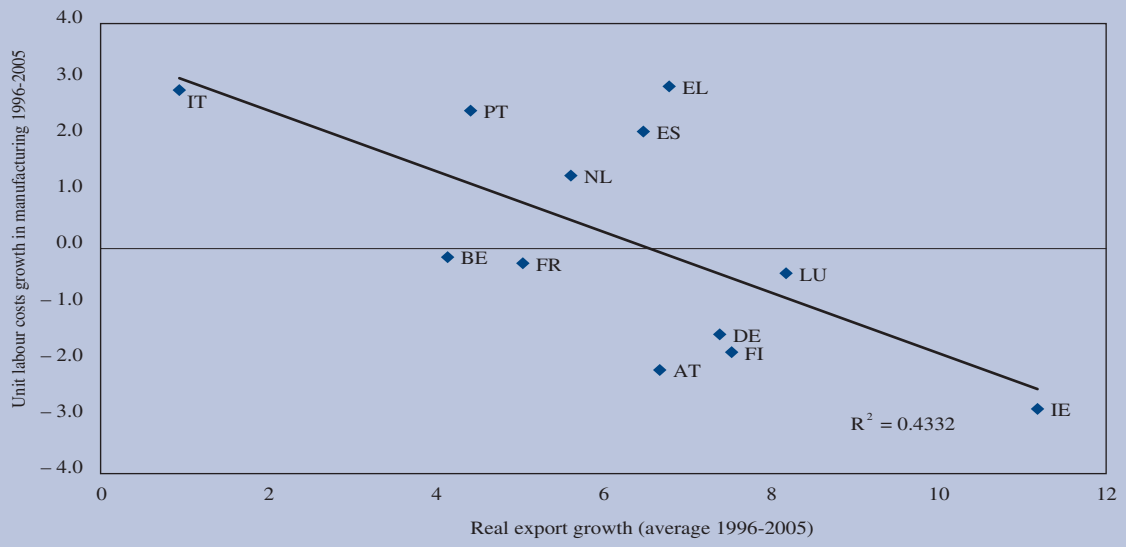
([2]) The above findings are robust towards a number of different specifications: (a) The link between labour costs and export performance is stronger if relative labour cost is used, i.e. the effective real exchange rates based on ULC. It makes hardly any difference whether intra-euro area effective exchange rates rather than exchange rates vis-à-vis other industrial countries are used; (b) The link is stronger for trade in goods than for trade in goods and services. Using the change in world market shares rather than export growth does not yield a different picture; (c) The tightness of the relationship has increased over time. Rather than the effects of a structural change, this finding may reflect the slowdown in world demand of 2000, increasing the importance of price effects in a less dynamic environment.

([3]) In practice, this may also mean an increase of input goods from abroad in the production of manufacturing goods.

([4]) The change in the employment share has the advantage of implicitly controlling for different trends in GDP and employment growth across countries.

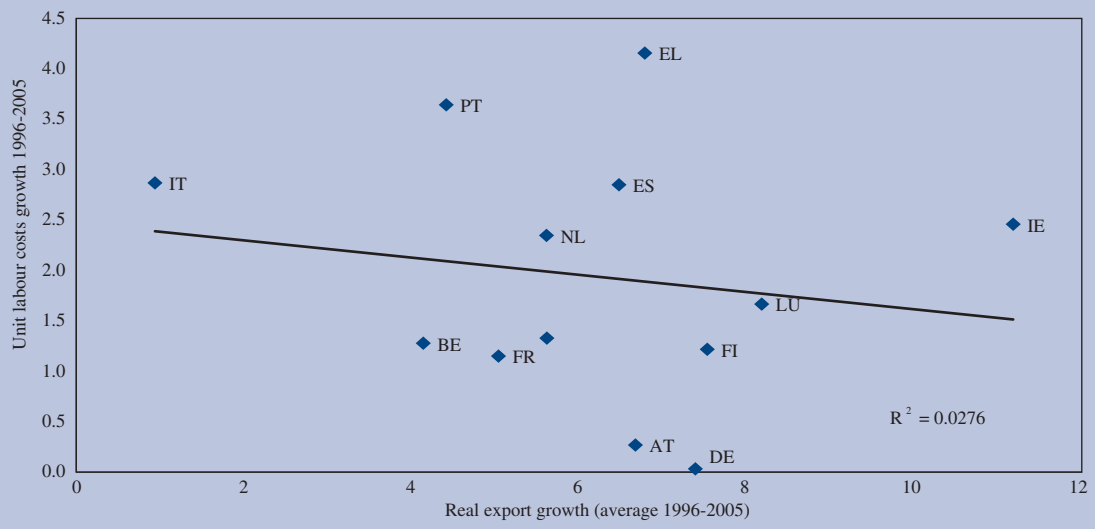
([5]) Obstfeld, Rogoff (2005).

Graph 86: **Unit labour costs in manufacturing and export growth, average growth rates 1996-2005**



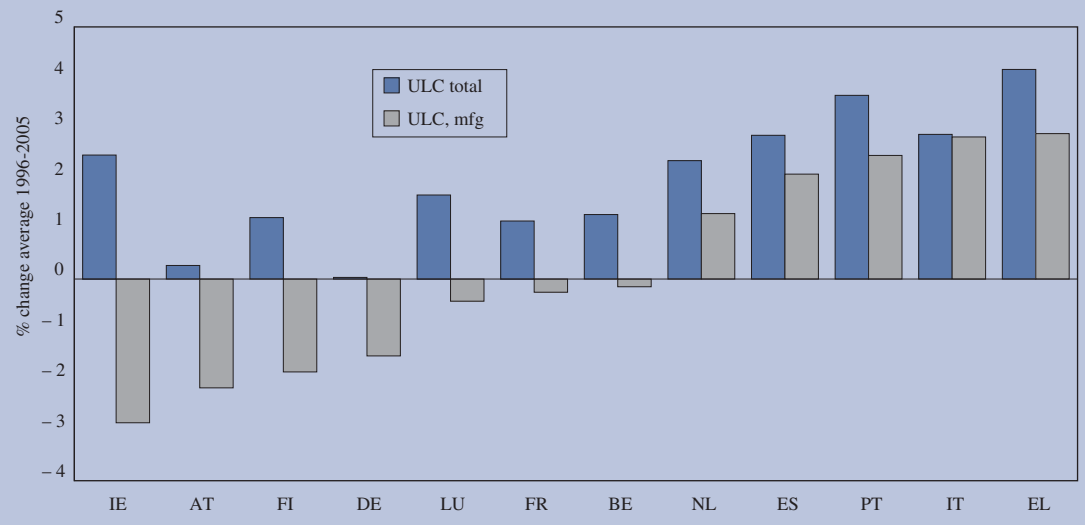
Source: Commission services.

Graph 87: **Unit labour costs in the total economy and export growth, average growth rates 1996-2005**



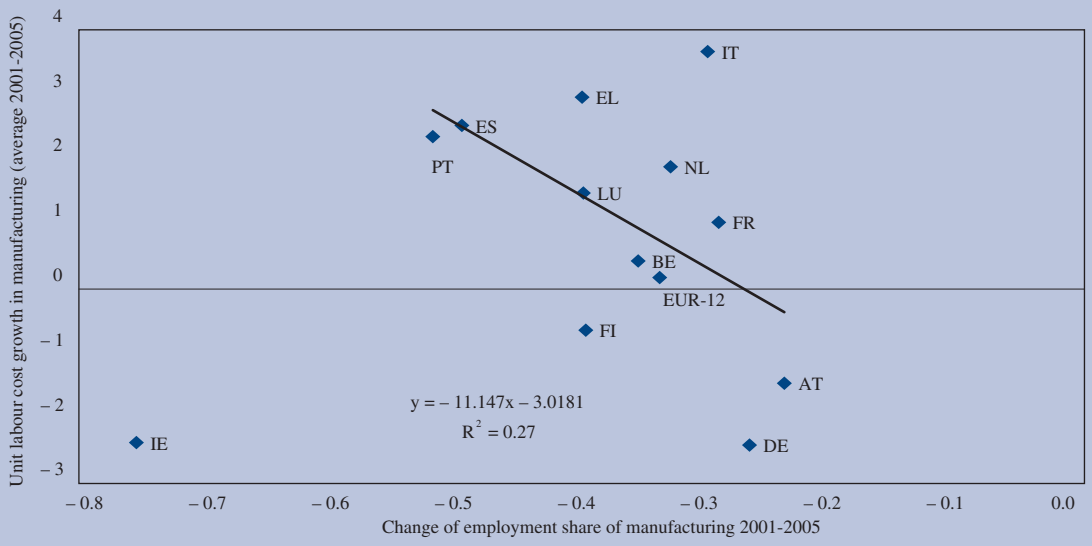
Source: Commission services.

Graph 88: **Unit labour costs in the total economy and in manufacturing**



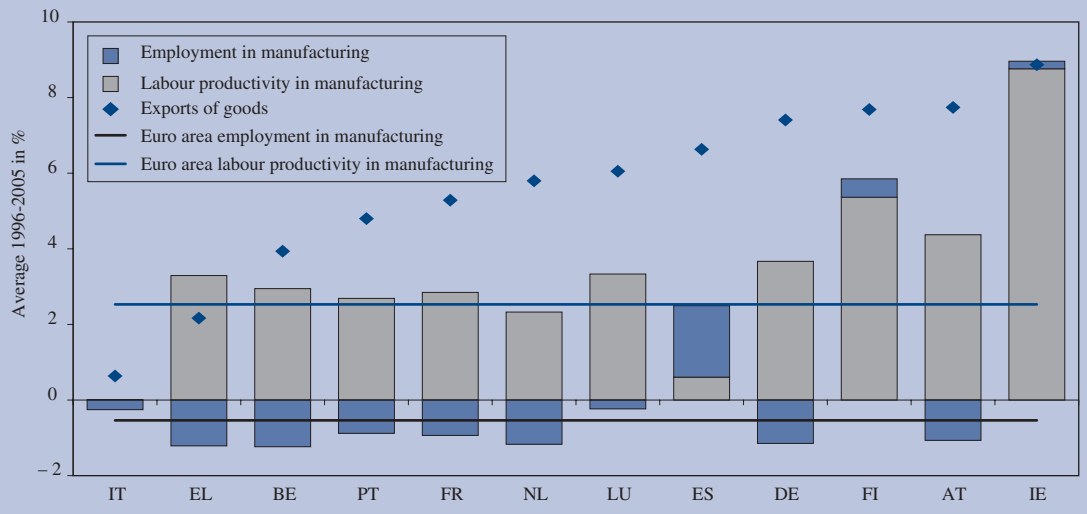
Source: Commission services.

Graph 89: **Labour costs and employment in manufacturing, average 2001-2005**



Note: Trend line excluding IE and LU.
Source: Commission services.

Graph 90: **Decomposition of output in manufacturing and export growth, average 1996-2005**



Note: 1996-2003 for France, Luxembourg and Portugal.
Source: Commission services.

would have pressure to relocate employment from the tradable to the non tradable sector.

Although not all manufacturing sectors are equally exposed to international trade and services have become increasingly tradable, the standard practice of considering manufacturing as tradable and services as non-tradable is adopted here. Annex 4 presents some results on how closely employment in different service sectors is coupled with employment in manufacturing in order to arrive at a broader notion of an economy's tradable sector.

Trends in relative wages

In all euro area Member States except Greece, Spain and Portugal, the average growth of compensation per employee was higher in manufacturing than in services (Graph 91). Given the large diffusion of part-time work in services, hourly wages provide a more robust indication of labour cost developments ([1]). The picture is more disperse for the hourly labour costs index ([2]). In four countries, the increase in hourly labour is stronger in manufacturing than in services (Graph 92). The difference between the growth rates of the two depends on the different trends in working time in both sectors.

Wage growth in the manufacturing sector has moved together with wage growth in services (Table 23). The correlation of wage growth in manufacturing with the construction sector is of the same order despite the diverse employment experiences in this sector ([3]). The high correlation at the euro area level is driven by aggregation. The correlation is smaller in almost all Member States, mainly because wage growth in Member States is more volatile than in the euro area. In some countries, the correlation of the sectoral increase in labour costs per employee is even negative, which probably reflects different trends in hours worked in manufacturing and services. This explanation is supported by a higher correlation for hourly labour costs than for labour costs per employee in many countries, partly due to the large diffusion of part-time jobs in services ([4]).

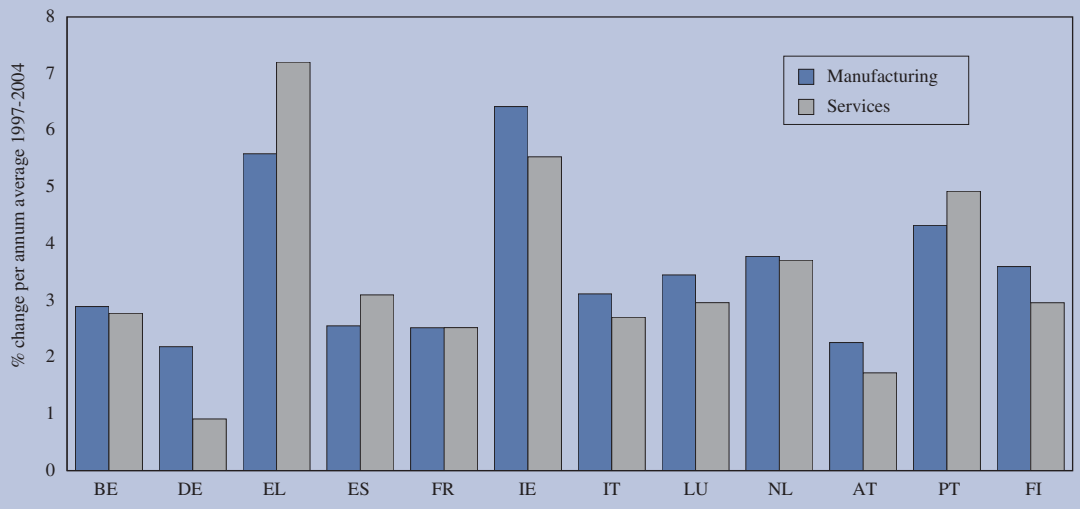
([1]) However, hourly labour costs suffer from differences in the coverage and source across countries, which reduce the value of cross-country comparisons.

([2]) There is currently no data on hours worked per sector in the national accounts that could be used to calculate compensation per hour worked in the different sectors. Note that although Eurostat's LCI is defined as an hourly index, it does not represent genuine hourly labour costs in all countries.

([3]) It should be considered that a correlation does not imply causality and that it is not informative of the strength of the link between two variables. The correlation is informative only of the co-movements between the two variables independently of the difference between them.

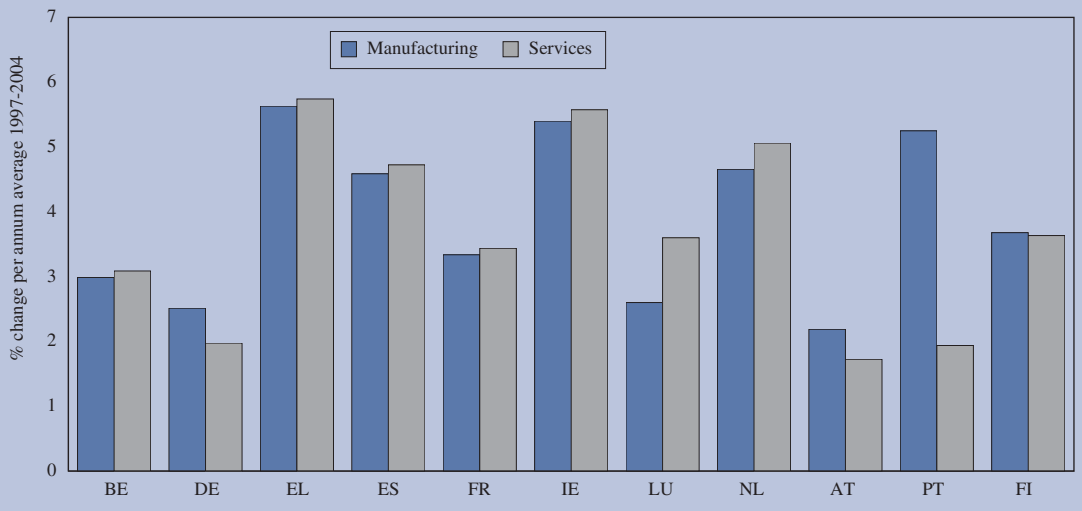
([4]) This finding impedes the comparison of labour cost developments across sectors. For example, labour costs per employee in services relative to manufacturing declined by 12 % between 1996 and 2005 in Germany. On the basis of the hourly labour costs the deterioration hardly reaches 5 %. In contrast, Spain, registered in the same period a 5 % increase in labour costs per person in services relative to manufacturing, which should be compared with an almost unchanged ratio of hourly labour costs in both sectors.

Graph 91: **Average wage growth in manufacturing and services, compensation per employee, 1997-2004**



Note: 1997-2003 for France, Luxembourg and Portugal.
Source: Commission services.

Graph 92: **Average wage growth in manufacturing and market services, hourly labour costs, 1997-2004**



Note: 2001-2004 for Ireland, LCI except EL, NL, and FI which are based on the Labour cost survey, NL is 1998-2004, EL 1997-2003.
Commission services.

Based on the correlation of sectoral hourly wage growth in market services and manufacturing, euro area countries can be divided in three groups. The highest correlations of around 0.9 are observed for Belgium, France, Ireland and Finland, suggesting that wage growth in the tradable and non-tradable sector closely follows the same pattern over time. A second group, with a coefficient of correlation between 0.5 and 0.7, consists of Germany, Greece, Spain, Luxembourg, the Netherlands and Austria. There is some scope in these countries for the differences to widen or to narrow. Sectoral wage differentiation in the second group should be more supportive for the reallocation of labour between the tradable and the non-tradable sector than in the first group. Italy and Portugal form a third group, which is not possible to classify either because of a lack of sectoral wage data at hourly basis in services or because alternative data sources reveal substantially different results ([1]).

Based on nominal ULC, the correlation of growth rates between manufacturing and services is generally smaller than for wage growth, suggesting that labour productivity growth is little correlated across sectors (Table 23). Two issues, however, may limit the information from the inclusion of sectoral productivity developments.

- Productivity is difficult to measure in services, especially if changes to prices and quality of services need to be taken into account.
- Labour productivity developments are not invariant to changes in employment. Thus, job destruction in the manufacturing sector may increase the productivity of remaining workers, which reduces unit labour costs. The favourable development of ULC in some countries could be the result of a shrinking tradable sector and should not be confused with an indication of improving employment opportunities in the tradable sector.

Growth rates of both labour costs and labour productivity were higher in manufacturing than in services over the period 1996-2004 in almost all euro area Member States (Graph 93). Italy stands out in terms of lower accumulated growth of labour productivity in manufacturing relative to services than growth of labour costs. On the other side of the spectrum, productivity growth was much stronger in manufacturing than in services in Finland and Austria. Average wage growth in manufacturing relative to services was highest in Germany whereas it was on average lower in services in Greece, Spain and marginally in Portugal and France over the period 1996-2004 ([2]).

([1]) The two data sources used in the table for hourly labour costs are the Labour cost index and the annual survey of labour costs.

([2]) Note that this comparison is based on compensation per employee and therefore may be biased by differences in the trend of hours worked across sectors.

Table 23

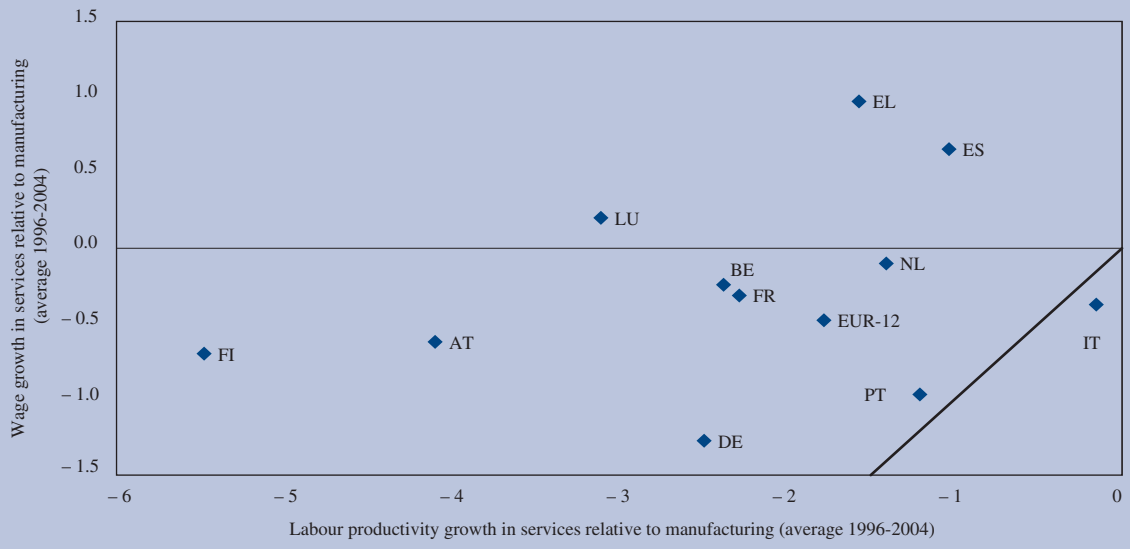
Correlation of annual sectoral labour costs growth with labour costs growth in manufacturing, 1996-2004

	BE	DE	EL	ES	FR	IE	LU	NL	AT	PT	FI	EUR-12
With the growth rate of compensation per employee 1996-2004												
Construction	0.58	0.16	0.53	0.76	– 0.46	– 0.11	0.90	0.88	0.62	0.76	0.75	0.86
Services	0.66	0.00	0.34	0.39	0.23	0.01	0.20	0.87	0.12	0.61	0.75	0.91
With the growth rate of hourly labour costs 1997-2005 (LCI)												
Construction	0.84	0.63	0.88	0.38	0.90	0.15	0.69	0.58	0.84	0.59/ 0.09	0.80	0.78
Market services	0.92	0.70	0.53	0.62	0.89	0.97	0.60	0.59	0.50	– 0.33/ 0.85	0.83	0.93
Non-market services	0.86	NA	0.67	NA	0.31	NA	– 0.18	0.34	NA	0.82	0.02	NA
With the growth rate of nominal unit labour costs 1996-2004												
Construction	0.71	0.42	0.33	0.71	– 0.41	NA	0.10	0.71	– 0.16	– 0.31	– 0.13	NA
Services	0.21	0.07	0.49	0.21	0.46	NA	0.46	0.82	0.09	0.30	0.61	NA

Note: Growth rate of hourly labour costs according to Labour Cost Survey for EL, NL instead of LCI. LCI and Labour Cost Survey for Portugal. Annual earnings for labour costs in non-market services 1996-2004 for all countries except LU, PT and FI. LCI 2001-2005 for Ireland. LCI 2000-2005 for FI. Nominal unit labour costs growth 1996-2003 for BE, FR and PT.

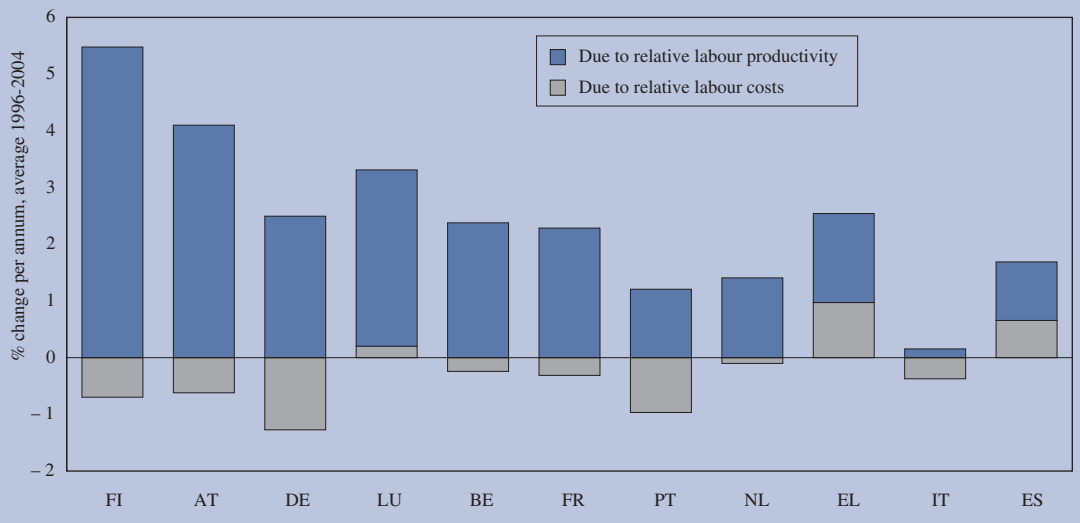
Source: Commission services.

Graph 93: **Growth of labour costs and labour productivity in services relative to manufacturing, 1996-2004**



Note: 1996-2003 for France, Luxembourg Portugal and EUR-12.
Source: Commission services.

Graph 94: **Average change in nominal unit labour costs in services relative to manufacturing, 1996-2004**



Note: 1996-2003 for France, Luxembourg and Portugal.
Source: Commission services.

Overall, with the only exception of Italy, productivity gains in manufacturing relative to services have been higher than the relative increase in labour costs (Graph 94). It is also evident that differences in ULC growth between manufacturing and services are predominantly driven by sectoral productivity differences. The only countries where productivity developments did not dominate the change in ULC were Italy, Portugal and to a lesser extent Germany, Greece and Spain.

Finland, Austria and Germany saw the strongest increase in relative sectoral ULC in the service sector owing to much weaker productivity growth in services than in manufacturing. That is, unit labour cost developments create the strongest signal to expand output and employment in the tradable sector in these countries. In Italy, Spain, Greece and the Netherlands, the smaller change in relative ULC suggests a relatively stronger incentive to increase output and employment in services.

Trends in the sectoral composition of employment

Despite the increase in relative ULC in services, there has been ongoing sectoral change towards stronger employment in services and declining employment in absolute terms in manufacturing in all euro area Member States except Spain, Ireland and Finland where absolute manufacturing employment increased in 1996-2005. The magnitude of the decline in the share of employment in manufacturing is essentially unrelated to the size of the manufacturing sector in the mid-1990s. In all countries, employment-creation in services was more buoyant, implying a declining share of employment in manufacturing in total employment.

This section links changes in the structure of employment to changes in relative labour costs. The relationship between labour costs and employment is not significant, if both labour costs growth and employment growth in manufacturing are expressed relative to services. This holds for the cross-country variation in hourly wages (Graph 95) as well as for ULC (Graph 96). Moreover, there is also little correlation over time between the change in relative ULC and the change of the share of service employment in total employment in the euro area (Graph 97) as well as in most Member States (Graph 98) ([1]).

In services, there is no evidence in favour of an inverse relationship between cross-country differences in the change of labour costs and employment performance over different periods (Graph 95, Graph 96). This finding suggests that service employment is not very sensitive to cost considerations. However, before jumping to this conclusion, two possible explanations need to be considered.

First, the level of both wages and relative ULC was very different in the euro area Member States in the mid-1990s. Differences in wage growth in services could be related to nominal convergence. Graph 99 evidences a significant relationship between the level of relative ULC in 1996 and the average growth rate over the 1996-2004 period. Two-thirds of the variation in the growth rates across countries can be explained by differences in the initial level of relative ULC.

Second, one should bear in mind that in the non-tradable sector output is sold only in the domestic market. In contrast to manufacturing producers, the providers of services can increase prices in response to higher labour costs ([2]). Accordingly, service inflation should and actually is higher in the catch-up countries. Graph 100 shows, however, that even if domestic relative prices are taken into account and relative real unit labour costs are calculated, there is no relationship between the cross-country variation in the increase of the share of service employment and the increase in relative real unit labour costs.

Overall, the cross-country analysis suggests strong links between wage growth in manufacturing and services, but little substitution of employment in both sectors. Accordingly, sectoral labour flows contribute little to current account adjustment and, therefore, to rebalancing growth differences in the euro area. Though cross-country differences in wage growth led to differences in export performance, the latter have not translated in marked differences in employment growth in sectors more exposed to international competition. In manufacturing, there is much more cross-country heterogeneity in productivity growth than in employment growth. The

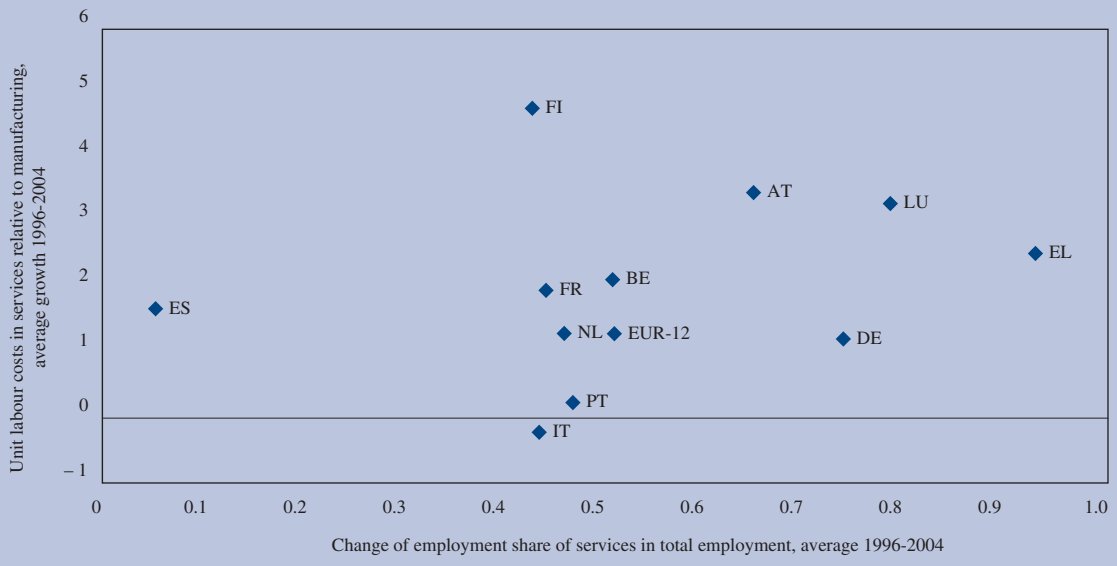
([1]) The coefficient of correlation is statistically different from zero only in the case of Germany, Portugal and Italy.

([2]) Against this background, the interest rate convergence prior to the introduction of the euro should have stimulated investment in non-tradables stronger than investment in tradables in the catch-up countries. Former would calculate their relevant real interest rate with respect to the expected high domestic inflation rate whereas the producers of tradables would need to take the lower euro area or global inflation rate into account as relevant price index for their output.

Graph 95: **Growth of hourly labour costs in services relative to manufacturing and change in the employment share of services, 1996-2004**

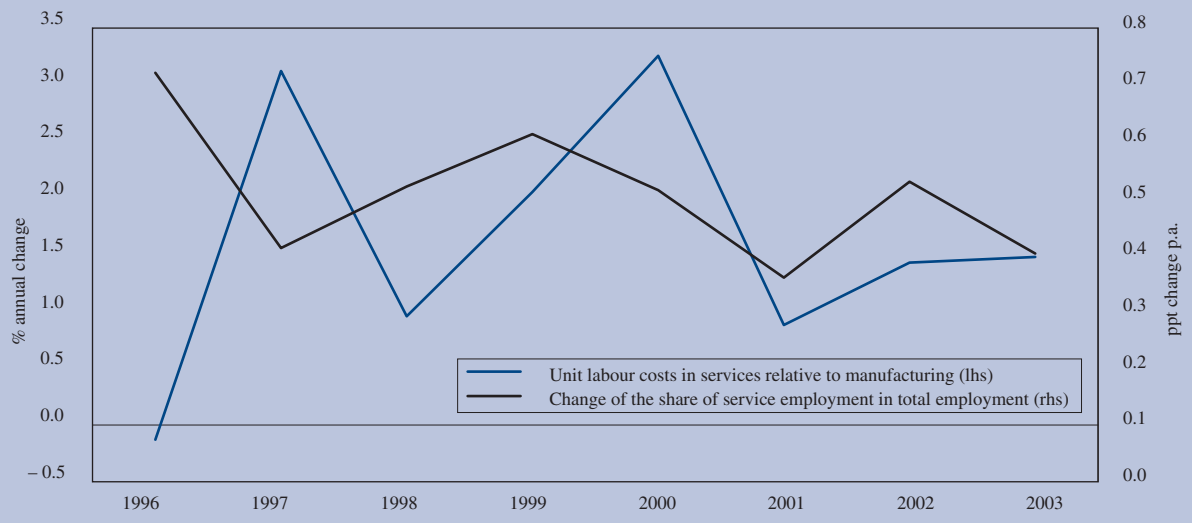
Note: 1996-2003 for France, Luxembourg Portugal and EUR-12.
Source: Commission services.

Graph 96: **Growth of unit labour costs in services relative to manufacturing and change in the employment share of services, 1996-2004**



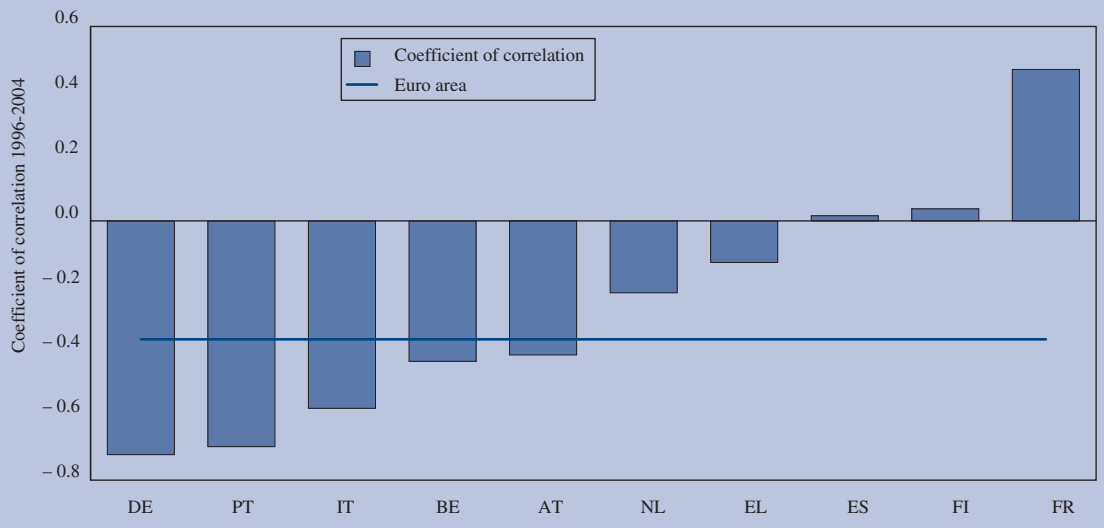
Note: 1996-2003 for France, Luxembourg and Portugal.
Source: Source: Commission services.

Graph 97: **Growth of relative unit labour costs in services relative to manufacturing and change in the employment share of services, euro area 1996-2003**



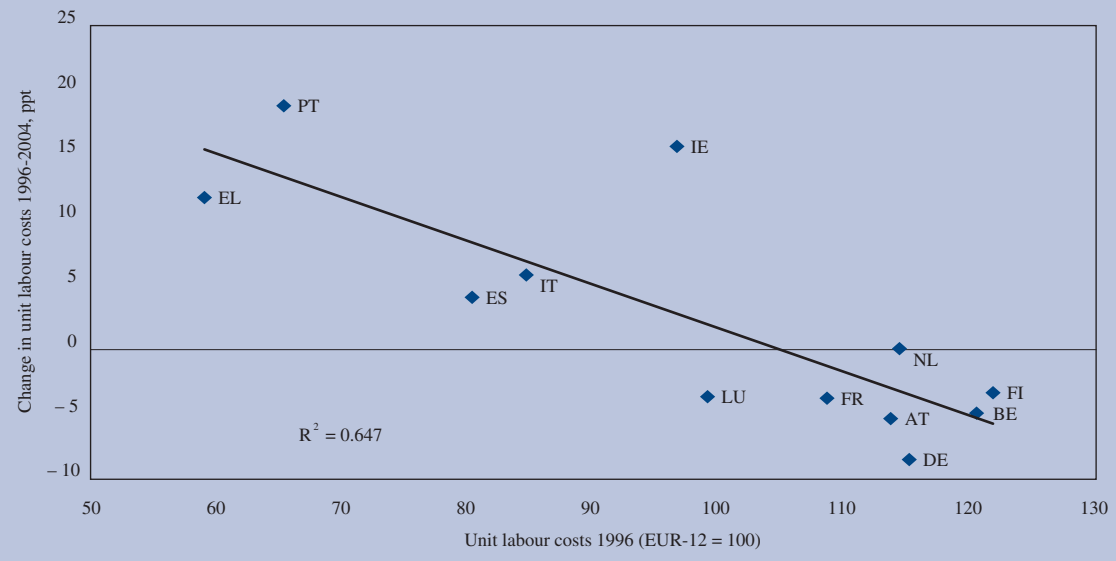
Source: Commission services.

Graph 98: **Coefficient of correlation between growth of unit labour costs in services relative to manufacturing and change in the employment share of services, Member States 1996-2004**



Note: 1996-2003 for France, Luxembourg and Portugal. Employment lagged by one year for all countries except Portugal, Greece, Finland, France and the euro area, where the contemporaneous correlation was higher.
Source: Commission services.

Graph 99: **Growth of labour costs and initial relative unit labour costs in services, 1996-2004**



Note: 1996-2003 for France, Luxembourg and Portugal.
Source: Commission services.

Graph 100: **Growth of relative real labour costs and change in the employment share of services, 1996-2004**

Note: 1996-2003 for France, Luxembourg and Portugal
Source: Commission services.

sectoral analysis shows that there is no inverse relationship between wage or ULC developments and employment performance in services. Apparently, high wage growth in services has been transferred more to higher prices than to less employment.

6.6. Conclusions

This focus has shown that differences in economic growth across the euro area are strongly bound up with labour market developments. Some have argued that the origin of these differences reside in the euro area not fulfilling the criteria of an optimum currency area. Before the launch of EMU the expectations were that these criteria would have been satisfied ex-post through deeper trade integration and the change towards more flexible and adaptable labour markets.

In contrast to the USA, the euro area lacks a system of redistributive transfers able to smooth consumption across countries. This reduces the role of non-market adjustment mechanisms to the working of automatic stabilisers, whose effectiveness in stabilising the economy depends on the design of labour market policies. While important, non-market adjustment mechanisms alone cannot cater for all the corrections required in case of asymmetric shocks. The criteria identified by the literature on optimum currency areas help to clarify the different adjustment mechanisms in a monetary union. As far as the labour market is concerned, wage and price flexibility and cross-border mobility have been considered as the main channels to absorb asymmetric shocks. An efficient wage/competitiveness channel would be clearly desirable in the case of the euro area countries, especially as far as the wage response to firm/sector specific shocks is concerned. However, there are limits to the capacity of wages and prices to absorb specific shocks. For example, in a low inflation environment, wage convergence may increase downward nominal wage rigidity in particular in countries where the wage level is low. Cross-border mobility is the alternative adjustment channel, which in practice can be effective only in the medium term. However, adjustment may also occur through occupational mobility, whose role has not yet been considered by the 'optimum currency areas' literature.

Against this background, this focus has investigated the structural or cyclical nature of the growth differential and its relationship with labour market developments. The main finding is that the differences in economic growth rates across the euro area Member States are strongly bound up with labour market developments that began well in advance of the launch of the monetary union. The prevalence of long-term trends in employment and unemployment has meant that there has not been much of a role for prices in rebalancing growth differences in the euro area. The breakdown of the variation of growth across countries in supply side factors provides support to the notion that the observed growth differences in the euro area are largely due to structural rather than cyclical developments.

Moreover, labour market developments were at the core of differences in growth performance. Euro area Member States had different starting positions in the mid-1990s in terms of labour market participation, level of labour costs and industrial structure. Employment has strongly grown in countries, which had ample labour market slack and therefore some leeway for catch-up growth in terms not only of productivity but also of labour utilisation. This catch-up process was also supported by initial lower labour costs in some countries. This also holds if productivity differences are accounted for. This catch-up phenomenon has sparked differences in employment and output growth rates. Thus, growth differences in the euro area are not necessarily a sign of divergence but also of real convergence. The analysis identifies some country-specific labour market shocks and differences in the development of unit labour costs, suggesting differences in the adjustment to shocks.

Countries with higher employment growth also had higher wage growth, meaning that adjustment via wages has taken place. However, the presence of persistent differences in employment growth, despite wages growth pointing in the right direction, may be caused by differences in countries starting positions. Wage levels, even adjusted for productivity, were markedly different in the mid-1990s, but according to the calculations presented in this focus section, have converged. Convergence has meant upward pressure on wages in low income countries, i.e. Ireland, Spain Greece and Portugal, making it more difficult to adjust wages downwards in response to adverse external shocks. It also means that the weak employment performance in some of the high-income countries such as Germany, Austria and, to a lesser extent, Belgium and France, may have been caused by their high initial wage level. The fact that convergence of real unit labour costs occurs at higher speed than for unit labour costs suggests that changes in relative prices (or better, the external real exchange rate) have been an effective adjustment mechanism.

The analysis also showed marked differences in the development of employment in sectors that are exposed to international competition and those that are not. In the manufacturing sector, despite differences in export performances consistent with the development of relative labour costs, employment trends have been broadly similar. It is mainly job-creation in services that accounts for differences in employment growth. While the same service sectors experienced strong job-creation across Member States, the contribution to total employment growth differed markedly. Although the cross-country analysis suggests strong links between wage growth in manufacturing and services, there is no evidence of strong substitution of employment in either sector. Accordingly, sectoral labour flows contribute little either to current account adjustment or, hence, to rebalancing growth differences in the euro area. Apparently, high wage growth in services in countries with strong employment growth has led to service price inflation rather than to less job-creation.

Annex 1 — Supplementary analysis on labour market adjustment in the euro area

Annex 1.1 — Growth differentials in a growth accounting framework

This annex presents the results of a growth accounting exercise in which the cross-country variation of economic growth is decomposed into the supply-side determinants of economic growth, namely labour input, capital accumulation and TFP growth.

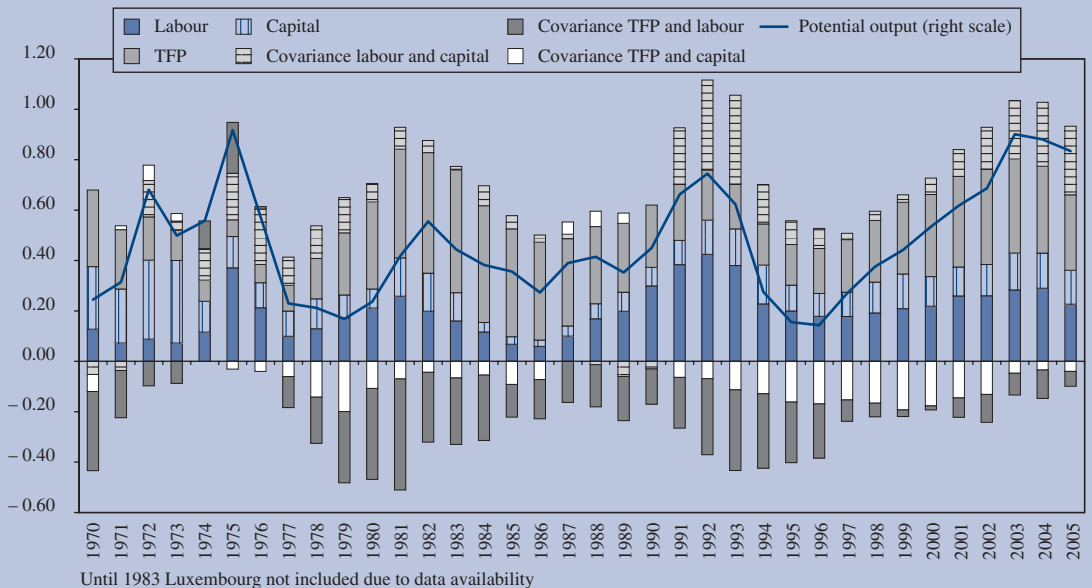
The relation that links inputs of production with potential output provides a natural way to compute the part of cross-country potential output growth accounted for by cross-countries' differences in factor accumulation and TFP growth (Ross and Levine (2001)) ([1]). The variance of potential output can be decomposed in the variances of its components and the co-variances between them. The Graph A5 shows the decomposition of cross-country dispersion in potential output over time ([2]).

- Consistent with what was found by other authors (Klenow Rodriguez-Clare (1997), Jones (1997),

([1]) In reality TFP computed as a Solow residual does not reflect only technological improvements but also improvements in factor quality, changes in the degree of competition of markets (i.e. errors in the assumptions regarding factor shares), changes in the capacity utilisation.

([2]) Taking the variance as measure of dispersion, in the case of a Cobb-Douglas production function, the following variance decomposition holds for the potential output growth
$var\ g(y) = var\ g(TFP) + \alpha^2\ var\ g(K) + (1-\alpha)^2\ var\ g(L) + 2\alpha\ cov\ (g(K); g(TFP)) + 2\ \alpha\ (1-\alpha)\ cov\ (g(K); g(L)) + 2\ (1-\alpha)\ cov\ (g(L); g(TFP))$
Results do not change if the variance of output growth is normalised with its average growth rate. The presence of Ireland and Luxembourg in the sample influences the variance decomposition of the sample. To avoid the effect of these outliers these country have been excluded. In interpreting these results one should keep in mind that in steady state all growth is attributable to TFP and population growth. Here the decomposition should be interpreted as holding in the medium term.

Graph A1: **Cross-country dispersion of potential output growth and its main contributions in the EUR-10**



Until 1983 Luxembourg not included due to data availability

Note: EUR-12 excluding Ireland and Luxembourg.
Source: Commission services.

Easterly and Levine (2001)), the growth in TFP accounts for more than 50 % of potential output growth differential in the EU-10. With exception of the 1980s, this proportion is stable over time with no significant change between the pre- and post-euro years (see table).

- As regards labour input growth, its contribution to the potential output growth differential doubled in the pre-euro years and in the following years reverted back to the average of the 1970s and 1980s. Furthermore, the dispersion in physical capital accumulation is responsible for a declining proportion over time of total cross-country variation in output growth.

- Dispersion in capital accumulation explained 50 percent of total growth differential in the 1970 but only 20 percent in the most recent post-euro years, the high share of the pre-euro years being determined by rapid accumulation in Luxembourg, Ireland and Portugal.

The potential output growth differential depends also on the contribution from the co-variances between factors growth rates and between these and the growth rate of TFP. These co-variances capture feedbacks between different inputs of the production function and when positive magnify the growth differential due to different rate of accumulation of factor input. As well known, in a standard neoclassical growth model in steady state the capital-labour ratio is constant and the capital stock grows at the same growth rate of investment. The positive co-variance between capital growth and labour growth is consistent with the predictions of this model ([1]).

More puzzling is the negative contribution stemming from the co-variance between TFP growth and factors accumulation. The co-variance is consistently negative over time and plays an important role in reducing the euro area growth differentials. Since inputs are not adjusted for quality improvements, changes in TFP can be partly explained by the changes in the quality of labour and capital. More generally, the correlation between inputs growth and TFP growth captures unmeasured effects of input growth. Alternatively, it may reflect unmeasured effects of TFP growth. A negative contribution may also be interpreted as the outcome of an excessive or moderate growth in inputs that induces movements in the TFP on the other side. For example, the high negative co-variance between labour input growth and TFP growth in the early 1980s may be indicative of the adjustment to the second oil shock which in some countries occurred via a reduction of labour supply and an increase in labour efficiency. The fact that the co-variance between labour input growth and TFP growth reaches the highest negative value in coincidence with the low growth years is suggestive of a correction in the labour input as alternative mechanism to the adjustment in labour efficiency. A negative co-variance between TFP growth and labour input is consistent with models where nominal frictions make the 'quantity' the adjusting variable to transitory technology shocks (Gali' (1999)).

([1]) In steady state the co-variance between growth of capital and labour should be equal to the variance of labour input growth (i.e. the correlation between should be 1). Hence, the difference between the co-variance and the variance is a measure of the deviation from a steady state growth rate. Data suggests that this difference achieved the lowest level in the 1970s, increased in the 1980s and in the pre-euro years; in the post-euro years it fell but still at a value higher than that observed for the 1970s.

Table A24

Variance decomposition of potential output growth: EU-10

	g(TFP)	g(Labour)	g(capital)	Cov(g(k);g(l))	Cov(g(tfp);g(dl))	Cov(g(tfp);g(k))
1970-1979	0.5	0.4	0.5	0.3	– 0.5	– 0.2
1980-1989	1.1	0.4	0.2	0.1	– 0.7	– 0.1
1990-1998	0.6	0.8	0.4	0.4	– 0.7	– 0.5
1999-2005	0.5	0.4	0.2	0.2	– 0.1	– 0.2

Source: Commission Services. Each column shows the contribution to potential output growth differentials. See footnote 3.

Annex 1.2 — Structural change as a source of productivity growth

The change in sectoral distribution of employment is one mechanism driving productivity growth in the long-term. The flexibility of the economic structure determines the ability of a country of shifting resources from less towards more dynamic industries to respond to technological advances and changes in consumers' preferences. To the extent that the flexibility of the economic structure differs across countries, structural change may explain part of the growth differences across countries.

The importance of structural change for productivity performance can be analysed through a shift-share analysis, which decomposes productivity growth in three components. The first component measures the productivity growth within each industry; the second component measures the effect of labour relocation from industries with low productivity to high productivity levels (shift effect or static structural change effect); the third measures the increase in total productivity growth due to the increase (decrease) in relative employment in sectors with increasing (decreasing) productivity growth (interaction effect).

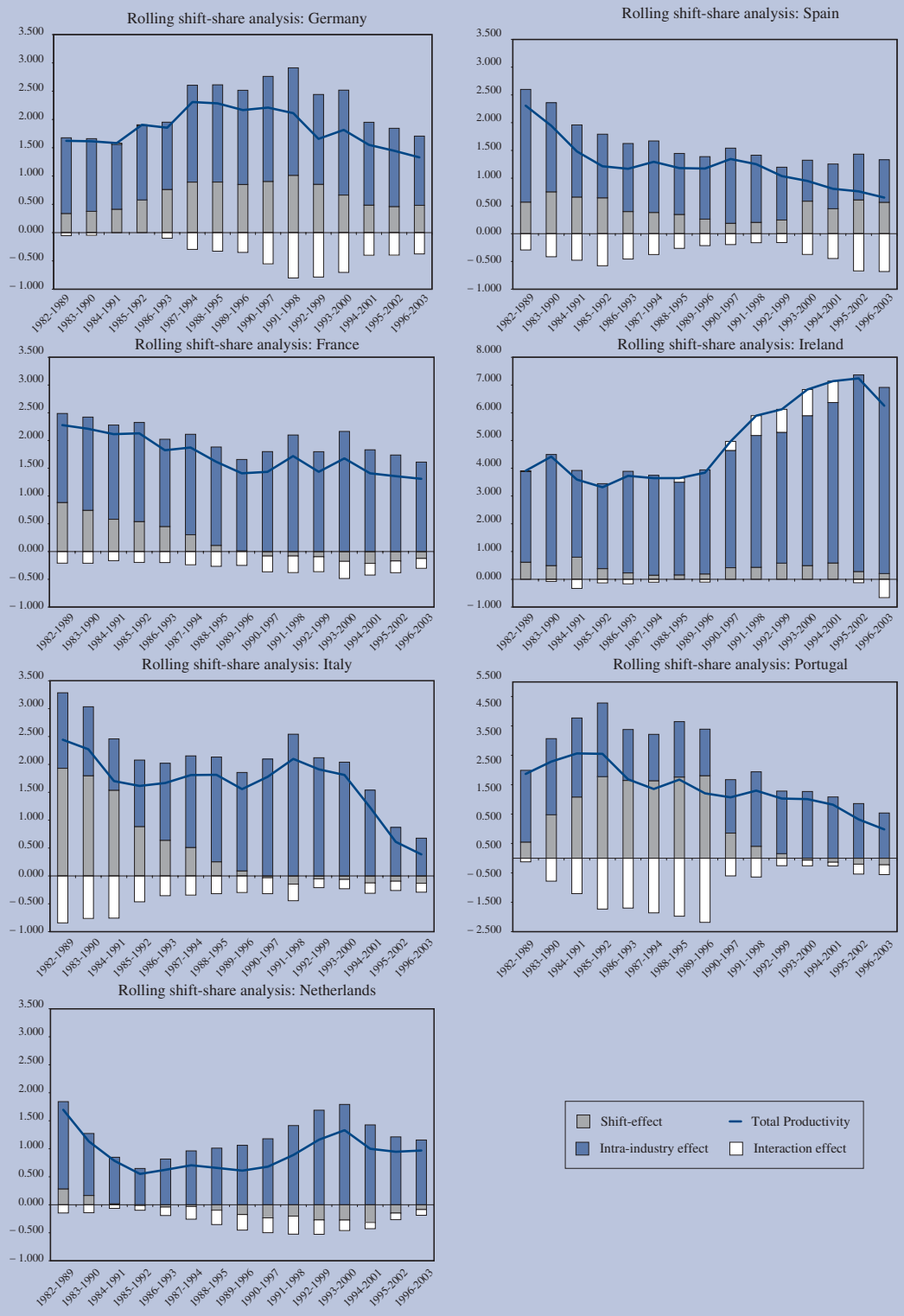
The shift-share decomposition of total productivity growth has been carried out for selected euro area countries over seven-year intervals for the 1982-2003 period with an industry detail of 57 industries (first sets of graphs below). Rolling shift share analysis shows how the different contribution to productivity growth has changed over time. A seven-year window has been chosen to match the reference period for the EMU chosen in this study; it roughly coincides with the length of the average business cycle.

In the more recent period, the dynamic of productivity within each industry appears to be the main source of overall productivity growth. The sectoral reallocation of labour appeared to be an important source of productivity growth in earlier periods in Italy, Portugal and France (in the 1980s and first half the 1990s). This effect continued to play an important role in the latest periods in Germany (although less prominent than in the first half of the 1990s) and in Spain. In the Netherlands, the reallocation effect, negative but not very significant in general, became a slight drag on labour productivity in the second half of the 1990s. The combination of sectoral employment changes with sectoral productivity growth contributes negatively to overall productivity growth when sectors with growing productivity have declining employment or when sectors with falling productivity grow in size. This component which is often negative, has dragged significantly aggregate productivity growth in Italy (in the 1980s), in Germany (in the 1990s), in Portugal (between the second half of the 1980s and the second half of the 1990s). In Ireland this effect contributed positively to productivity growth in the 1990s but turned negative in the latest period.

Evidence of further gains from structural changes across industries can be gained by simulating productivity growth in one country assuming that its industry structure of employment and change is the same as in the US. The second set of graphs below shows for some euro area countries the effective productivity growth (unadjusted series in the charts) and the simulated productivity growth adjusted with the US employment structure (unadjusted series in the charts). This simulation suggests that the structure of employment by industry and its evolution was not an impediment to productivity growth in the 1980s and first half of the 1990s in France, Italy, Portugal, Germany and in Spain, with the exception of the second half of the 1980s and early 1990s. With the only exception of the Netherlands, all other countries considered would have benefited from the intense reallocation experienced by the US in the 1990s. Hence countries that were joining the EMU would have benefited from higher employment relocation, the more the exchange rate agreement became binding. For the Netherlands, adopting the US employment structure would have improved productivity growth in all periods considered. The shift share analysis reveals that this finding reflects the combination of relatively low (high) employment in sectors with high (low) productivity growth.

The evidence in this annex shows that the employment structure plays also a limited role for explaining differences in output growth. However, this does not imply that labour market reallocation is not needed for productivity growth. In this respect, institutions would be employment-friendly if they do not distort incentives to supply labour and promote labour reallocation between sectors and occupations. Labour market institutions should be adaptable to rapidly changing technologies of production and increasing heterogeneity of the labour force, while the failure to introduce reforms in the labour market is a source of poor performance.

Graph A2: **Rolling shift-share analysis for different countries**



Source: Commission services.

Graph A3: **The impact of structural differences on productivity growth in different countries**

Source: Commission services.

Annex 1.3 — The persistence of employment growth

There are a number of factors that may reduce the impact of wage developments on employment performance. The stimulating impact of employment via disposable income and consumer confidence on private consumption would be an example of a factor that is capable of increasing existing imbalances. Countries with strong employment growth would benefit from strong aggregate demand, which further strengthens employment growth. This factor may offset the balancing impact of rising wages. A further example would be that people entering the workforce may become more productive over time, which improves price competitiveness and firms' profitability. This, in a next step, may attract better financing conditions for investment, which further increases labour productivity.

This annex analyses the stickiness of employment growth, assuming that all possible self-reinforcing channels mentioned above lead to persistence of differences in employment growth. That is, once employment growth has gained certain dynamics, it may continue to grow robustly for some time. There is reason to believe that similar effects are at work in countries with a weak labour market performance, aggravating the dismal performance for some time. A simple measure of the persistence of employment growth is the coefficient of autocorrelation. This measure indicates how closely developments in one period are related to past developments, capturing the momentum or internal dynamics of trends. The higher the coefficient, the stronger employment growth is influenced by its own history and — ceteris paribus — the weaker the potential influence of wages on employment growth.

The Graph A8 below shows the measure of persistence for the annual growth rates of employment in both persons and in hours worked over the period 1996-2005 ([1]). The coefficients for the volume of work done in hours are relatively high for Austria, Luxembourg and Ireland. The comparison with the same measure for the USA (line in the graph) suggests that hours worked in almost all euro area Member States were less sticky than in the USA. The results are somewhat different for the persistence of the number of persons employed, which are stickier in around half of the euro area Member States than in the USA, especially in the Netherlands. Differences in the degree of stickiness are, however, not visibly related to differences in the employment performance.

The degree of persistence is higher for the volume of work done in persons than in hours for all countries except Greece and Belgium ([2]). This difference can be interpreted as adjustment in average hours worked. Adjustment in working time seems to play an important role in the Netherlands, in those three countries, which show the least sticky adjustment in terms of hours worked (Italy, Portugal and France) and further three countries, which have also high degree of persistence of hours worked (Austria, Luxembourg and Ireland). The small difference between both measures in Ireland, Belgium and Spain suggests that variation in average hours worked plays little role for the adjustment in these countries. That is, the number of jobs changes rather than the working time in a job. The results for Greece are difficult to interpret. According to both measures, employment appears to be relatively adaptable in this country.

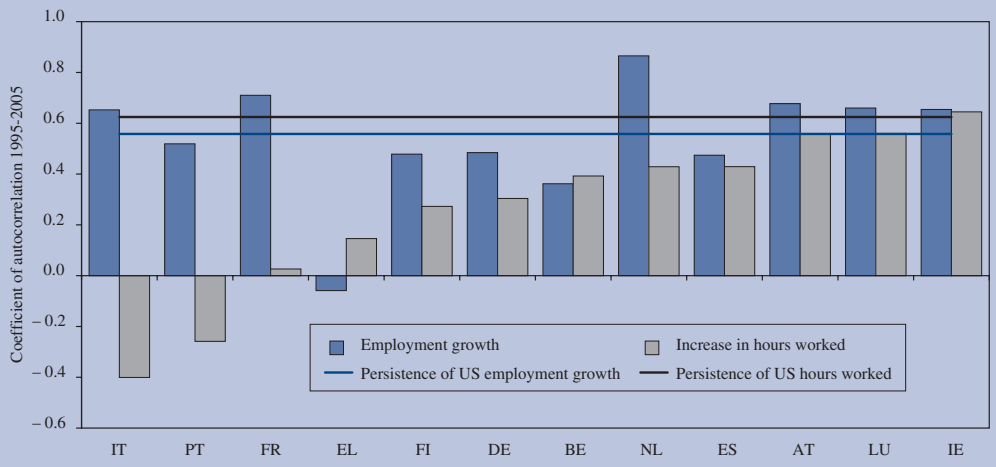
The ranking of Member States in terms of persistence of employment growth over the past 10 years has little relationship to the same measure over past decades. The second set of Graphs show the coefficient of autocorrelation for the change of the employment rate as a moving 10 years window for the Member States, indicating the volatility of this measure over time ([3]). Measures of persistence over shorter periods (for example 5-year periods) seem to be indicate more stickiness in periods of buoyant economic growth than in periods of slowdown, suggesting some asymmetry in the strength of internal dynamics over the business cycle.

([1]) The degree of persistence, measured this way, of annual changes in employment rates, annual changes in unemployment rates and growth rates of employees is relatively similar to the persistence of employment growth.

([2]) A further country where hours are also stickier than employment is the USA.

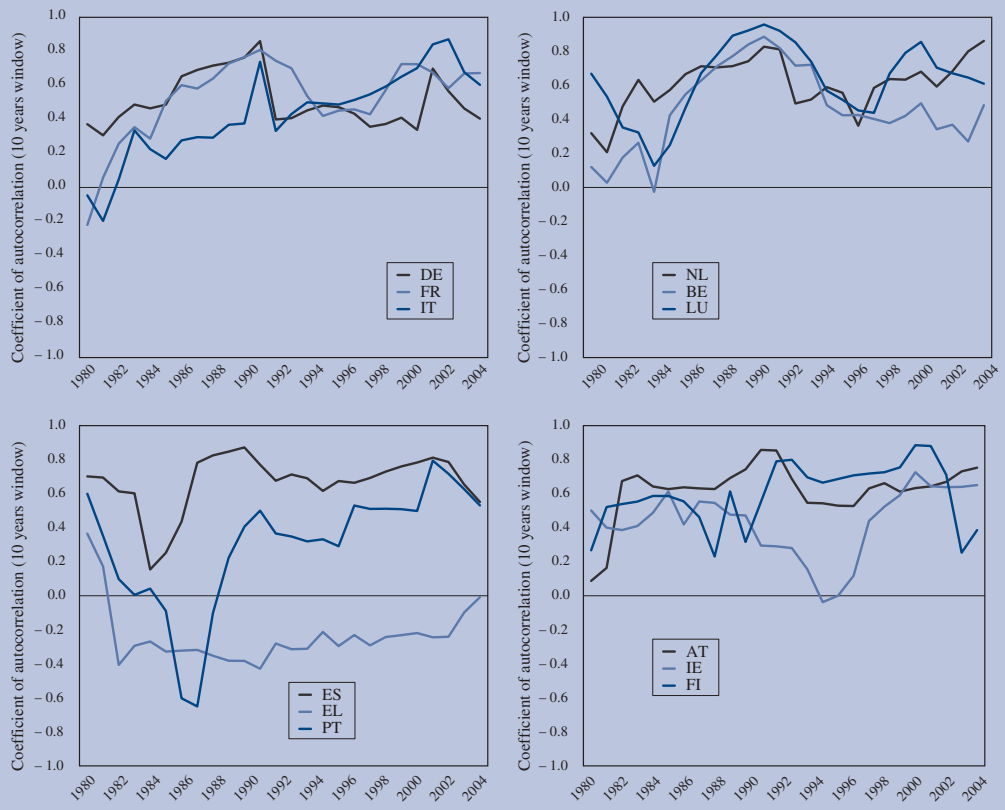
([3]) Using the annual change of the employment rate rather than employment growth has the advantage that changes in working-age population, which may drive results over longer time horizons, are controlled for.

Graph A4: **Persistence of employment 1995-2005**



Note: Coefficient of correlation with annual growth rates, ordered by coefficient for hours worked, 1996-2005 for AT.
Source: Commission services.

Graph A5: **Persistence of employment over time – autocorrelation of annual changes in employment growth**



Source: Commission services.

Annex 1.4 — How closely is employment in services related to employment in manufacturing?

The usual equalisation of manufacturing with the tradable sector and of services with the non-tradable sector is largely determined by data availability. Whereas there are indicators of export exposure for manufacturing sectors, typically indicating a high to very high exposure, little is known about how exposed the different services are to international trade. Moreover, since some services provide output for manufacturing sectors, employment in these sectors is indirectly affected by trends in manufacturing.

There are possibilities to calculate the closeness of the relationship between employment growth in different service sectors and those in manufacturing as a measure of the strength of these indirect effects. The results, however, turn out to depend on both the method used and the time period. For example, employment growth in inland transport appears highly correlated with manufacturing employment in the panel 1980-2003. It is not significant in 1996-2003. The opposite case can be observed for financial intermediation.

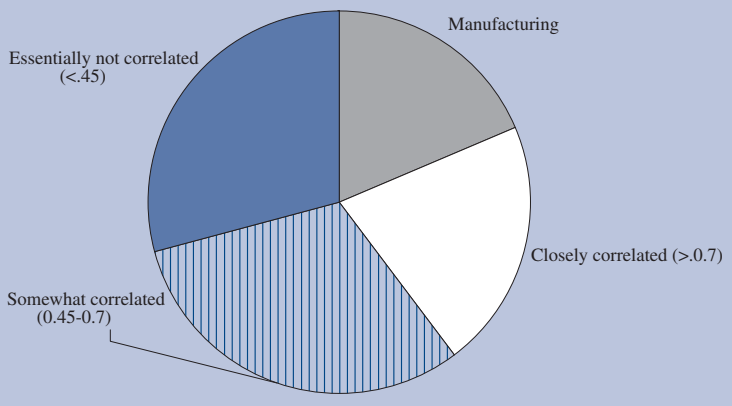
The graph gives an overview of the size of different non-manufacturing sectors in the euro area in dependence of their correlation with employment in manufacturing. The margins of each cluster were chosen so as to get

Table A25

Service sectors in which employment is significantly related with employment in manufacturing, euro area

Sector	Elasticity
Financial intermediation, except insurance and pension funding	1.3
Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	1.2
Other community, social and personal services	0.9
Wholesale trade and commission trade, except of motor vehicles and motorcycles	0.5
Communications	0.3
Activities auxiliary to financial intermediation	0.3
Computer and related activities	0.2
Based on OLS with constant 1996-2003, annual observations	

Graph A6: **Size of sectors in dependence of their correlation with employment growth in manufacturing, euro area**

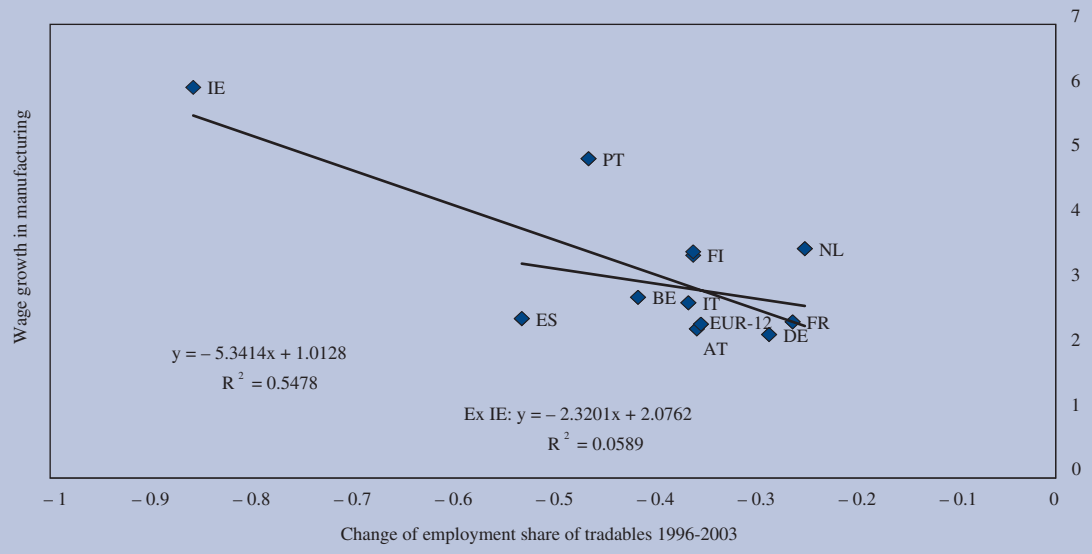


Note: Based on coefficient of correlation 1996-2003
Source: Commission services.

clear differences between the groups. Table 9 reports the elasticity of those sectors that were found significant in simple OLS estimates. It turned out that rather independent from the method employment growth retail trade is closely correlated with employment growth in manufacturing. The high elasticity of financial intermediation is a rather recent phenomenon. The high and significant elasticity of other community services is somewhat surprising. It is robust as regards the period and may be more driven through an indirect link, namely the impact of employment in manufacturing via communal financial resources on employment in community services.

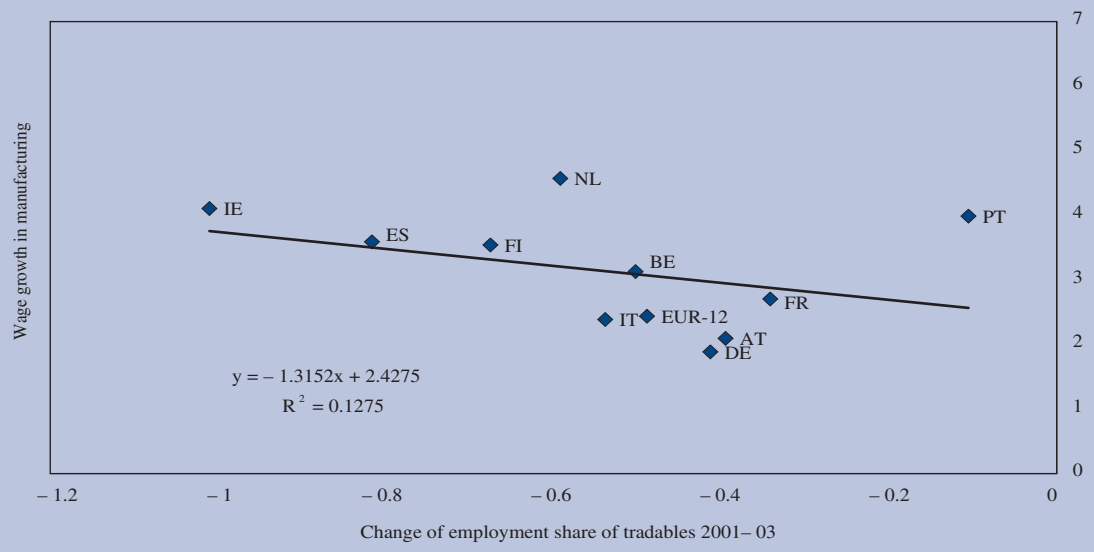
The inclusion of the service sectors listed in the table in the tradable sector does not change the picture presented in the main text. Similar to employment in manufacturing, all countries witness a similar decline in the share of employment in the tradable sector. Again the exception is Ireland and again there is no visible link between the size of the tradable sector in the mid-1990s and its subsequent change. A difference is notable concerning the countries in which employment in the tradable sector increased. Whereas it increased in only 3 countries in manufacturing, namely Spain, Ireland and Finland; there are seven countries if the tradable sector is more broadly defined. In addition to the mentioned countries, these are France, Italy, the Netherlands and Portugal. Overall, the variation across countries is larger if the more broadly defined tradable sector is used than the manufacturing sector. The ranking of countries is not coherent. Spain and Finland seem to have seen a stronger decline of the tradable sector for the broadly defined measure whereas the opposite holds for Germany and the Netherlands.

Graph A7: **Wage growth and employment in the tradable sector, average 1996-2003**



Note: Trend line excluding IE and LU.
Source: Commission services.

Graph A8: **Wage growth and employment in the tradable sector, average 2001-2003**



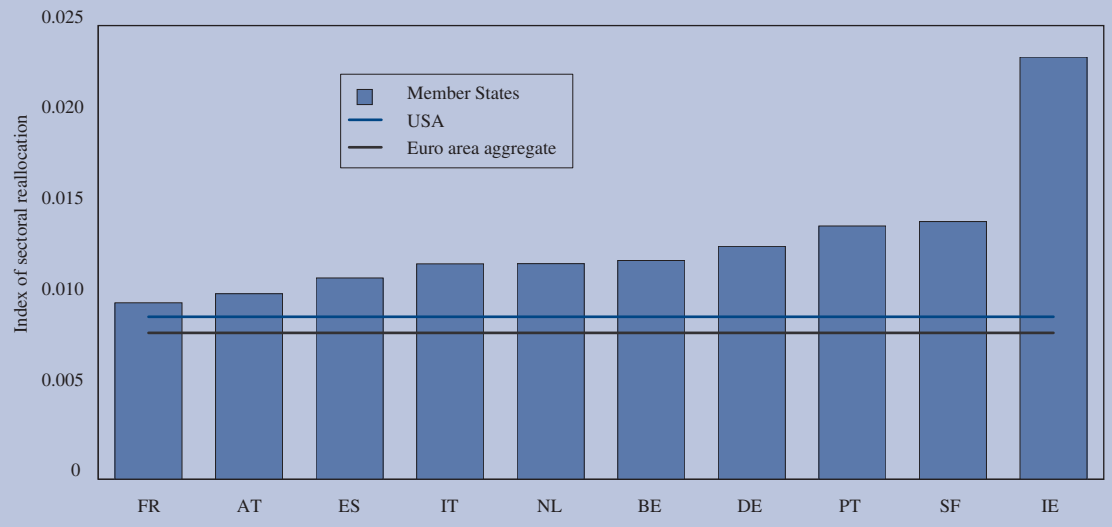
Note: Trend line excluding IE
Source: Commission services.

Annex 1.5 — Structural change and the reallocation of employment

The pace of overall sectoral change can be captured by calculating the annual change of the share of employment in the different sectors. The more detailed the sectoral breakdown the more informative is the resulting index. The graph shows an indicator built on a breakdown into 56 sectors, which was available for 10 out of 12 euro area Member States. On average 1996-2003, the index is relatively similar across the euro area Member States. Ireland is an outlier with a very high rate of sectoral change. But also Portugal, Finland and, given its size, Germany experienced relatively fast sectoral change. The index for the euro area aggregate is lower than for each Member State, since some sectoral changes cancel out through aggregation, suggesting that sectoral changes in the Member States occurred independently from each other. It also suggests that the size of a country may matter for the measurement of allocation. This is also supported by the observation of a lower index of sectoral reallocation in the USA than in each euro area Member State, albeit still slightly higher than the euro area aggregate index.

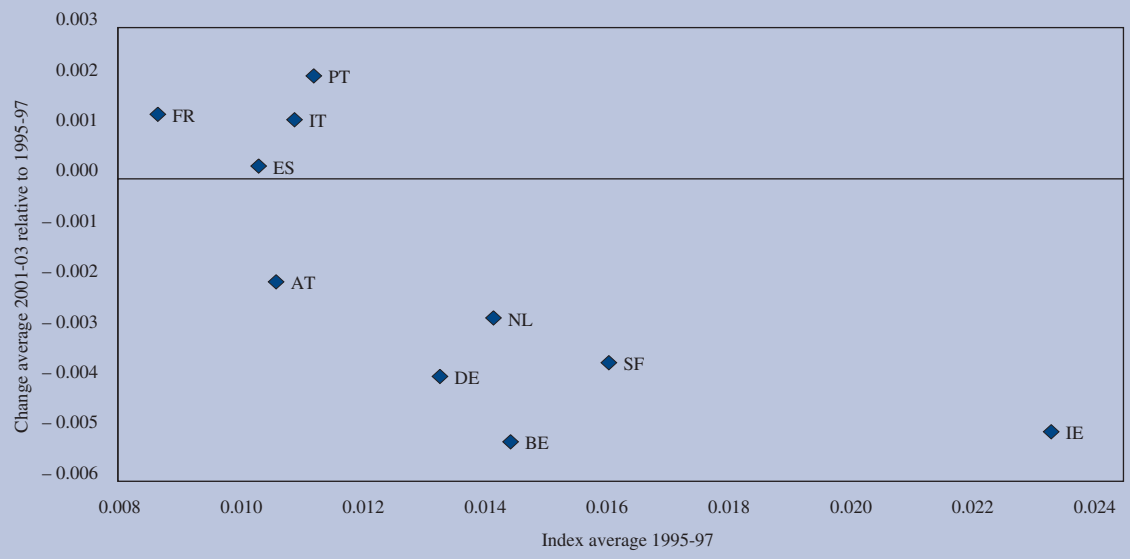
The analysis of the change over time of the index of sectoral reallocation suggests a slowing pace of sectoral change. The average index was higher in all Member States in 1980-95 than in 1996-2003, except for Ireland and Germany, where the German data is strongly influenced by two strong increases in the pace of reallocation, having taken place in 1992-94 and 1999-2000. The process of slowing sectoral change continued in 1996-2005 in six out of 10 euro area Member States. The right-hand side graph suggests a convergence of the pace of reallocation, with those countries experiencing an acceleration that had a relatively low index in 1995-97 and those seeing the largest decline that had a relatively high index in the mid-1990s.

Graph A9: **Index of sectoral reallocation average 1996-2003**



Source: Commission services.

Graph A10: **Average decline of the share of employment in manufacturing in 1996-2000 and 2001-2005**



Source: Commission services.

Annex 1.6 — Tables and graphs

Table A1

Contribution to change in participation rates by age and gender, 1996-2004

	BE	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	EUR-12
Participation rate 2004	65.9	72.1	66.5	68.7	69.5	69.5	62.7	64.6	76.6	71.3	73.0	74.2	69.1
Change 1996-2004	3.7	1.7	5.5	7.1	1.3	7.2	4.6	3.4	6.7	0.2	5.5	2.5	3.4
Contribution of group-specific shifts of participation rate to changes in the overall participation rate													
TOTAL	3.5	1.9	3.0	5.1	1.8	6.5	3.2	2.6	7.9	1.3	2.7	4.0	3.1
Young	0.5	– 0.5	0.0	0.9	0.7	2.4	– 0.5	– 2.4	2.0	– 0.4	0.2	0.4	0.2
Prime age	1.6	1.6	3.5	3.3	0.0	3.2	3.3	4.3	3.8	1.8	1.9	1.4	1.9
Older	1.4	0.8	– 0.1	1.0	1.2	0.9	0.4	1.4	2.2	– 0.1	0.8	2.2	0.9
MALE:	0.6	0.0	– 0.3	1.0	0.4	1.4	0.0	– 0.8	2.5	– 0.4	– 0.1	1.9	1.3
Young	0.2	– 0.2	0.0	0.6	0.5	1.2	– 0.3	– 1.5	1.0	– 0.1	0.0	0.1	0.3
Prime age	– 0.2	0.0	– 0.1	– 0.1	– 0.6	0.0	0.4	0.5	0.4	0.0	– 0.2	0.9	0.0
Older	0.5	0.3	– 0.2	0.5	0.5	0.2	– 0.1	0.3	1.2	– 0.3	0.0	0.9	0.3
FEMALE:	2.9	1.9	3.3	4.1	1.4	5.0	3.2	3.4	5.4	1.7	2.8	2.0	2.5
Young	0.3	– 0.2	– 0.1	0.2	0.2	1.2	– 0.2	– 1.2	0.9	– 0.3	0.1	0.3	0.1
Prime age	1.8	1.6	3.3	3.4	0.6	3.2	2.9	3.9	3.4	1.9	1.9	0.5	1.9
Older	0.8	0.5	0.1	0.6	0.7	0.7	0.5	0.6	1.0	0.2	0.8	1.3	0.5
Demographic effect													
TOTAL	0.2	– 0.1	1.9	1.8	– 0.6	0.7	1.1	0.1	– 1.5	– 1.0	2.6	– 2.0	0.4
Young	– 0.2	0.6	– 0.9	– 2.2	– 0.1	– 1.7	– 1.5	– 0.1	– 0.6	– 0.3	– 2.1	0.1	– 0.6
Prime age	0.4	– 0.4	3.9	4.0	– 1.0	1.7	2.6	0.2	– 1.9	– 1.4	5.5	– 3.8	1.0
Older	0.1	– 0.4	– 1.2	0.0	0.4	0.7	0.1	0.0	1.1	0.7	– 0.8	1.7	0.1
Interaction effect													
	0.0	– 0.1	0.3	0.1	0.1	– 0.1	0.3	0.1	0.3	– 0.1	0.1	0.5	0.0

Source: Commission services.

Table A2

Country ranking in wage equations and NAIRU estimates

Panel A: Strength of the response of wages to unemployment

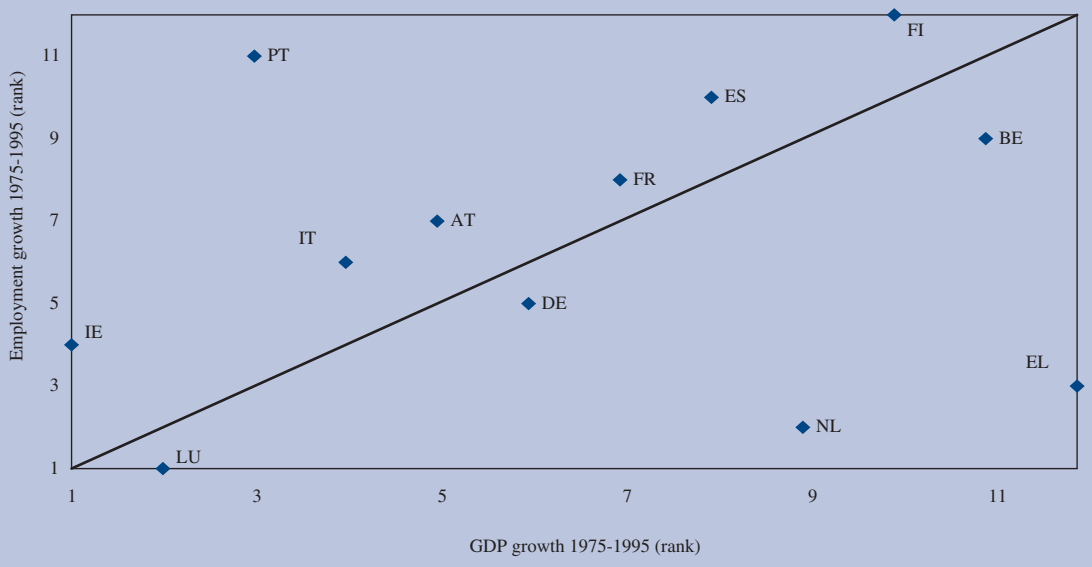
Rank	AQR-IWH (2005)						ECFIN (2006)	DRS (2006)	Barrel/ Dury (2001)	Fabiani/ Palenzuela (2001)	Fabiani/ Morgan (2003)	Plasmans et al. (2002)	Horst (2003)	DIW (2004)
	TSLS-L	TSLS-D	OLS-D	OLS-D	VAR-L	VAR-D	ugap	IV, Ecm	Ecm	SVAR	OLS	Ecm		Ecm
1	IT	PT	IT	PT	PT	IE	LU	FR	DE	PT	DE	IT	DE	FR
2	FI	IT	PT	IT	FI	FI	AT	EL	IT	AT	ES	FR	NL	NL
3	PT	NL	FI	FI	LU	PT	PT	IT	FI	ES	IT	NL	FR	DE
4	BE	FR	EL	BE	NL	BE	IE	FI	BE,ES, FR,IR, NL,AT, PT	NL	FR	BE	ES	ES
5	AT	BE,EL	AT	NL	BE	EL	FR	DE		FR	NL	DE		
6	DE	DE	NL	AT	FR	LU	EL	AT,BE		BE				
7	EL	ES	BE, ES	DE,EL	DE	FR	NL	ES		DE				
8	NL	FI	DE, FR	ES	ES	IT	BE	NL,PT		IT				
9	ES	IE	IE	IE	IT	AT	DE	IE						
10	FR	AT	LU	FR	EL	ES	ES							
11	IE	LU		LU	IE	DE	IT							
12	LU				AT	NL								

Panel B: Strength of the response of wages to productivity

Rank	AQR-IWH (2005)						ECFIN (2006)	DRS (2006)	Plasmans et al. (2002)	Horst (2003)	DIW (2004)
	TSLS-L	TSLS-D	OLS-D	OLS-D	VAR-L	VAR-D	ugap	IV, Ecm	Ecm		
1	IT	ES	IT	BE	PT	LU	DE	DE	DE	DE	FR
2	AT	BE	AT	EL	FI	PT	NL	IT	NL	ES	DE
3	BE	LU	BE	ES	LU	FI	AT	FI	BE	FR	NL
4	DE	EL	DE	PT	EL	FR,NL	FR	ES			
5	NL	IT	NL	AT	IE	AT	BE	IE			
6	FI	IE	FI	DE	AT	IT	ES	NL,FR			
7	FR	AT	ES	NL	NL	IE	EL	BE			
8	ES	NL	EL	IE	FR	DE	LU	EL,AT			
9	EL	FI	IE	IT	DE,IT	ES	IT,FI	PT			
10	FR	PT	FR	LU	ES	BE	IE				
11	PT	DE	PT	FR	BE	EL					
12	IE	FR	LU	FI							

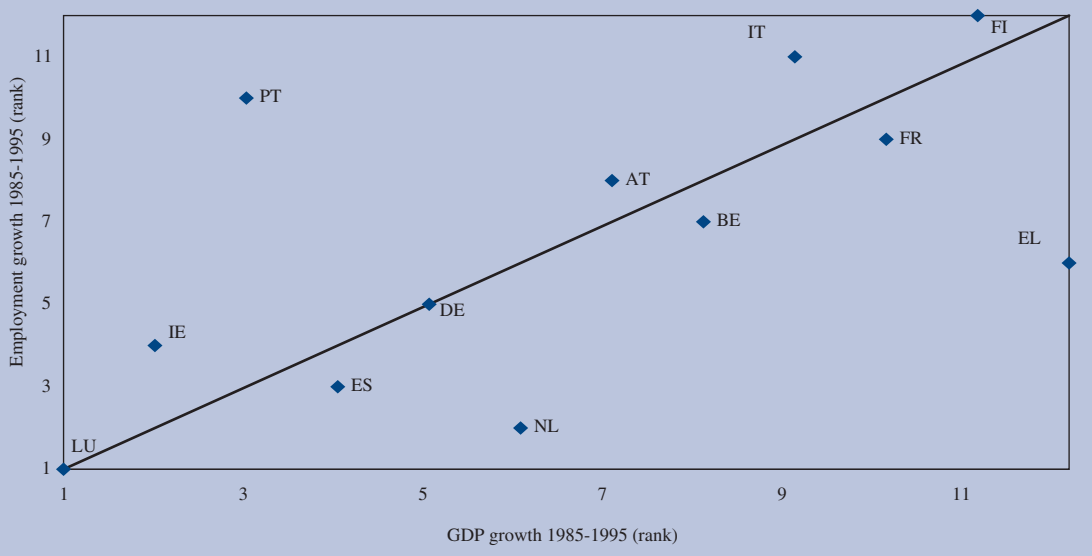
Notes: OLS Ordinary least squares, TSLS Two stage least squares, VAR vector auto regression, D estimation in differences, L estimation in levels, Ecm long term elasticity in error correction mechanism, ugap difference between actual unemployment and NAIRU, IV estimation with instruments, SVAR structural VAR.

Graph A11: **Ranking of employment and output performance 1975-1995**



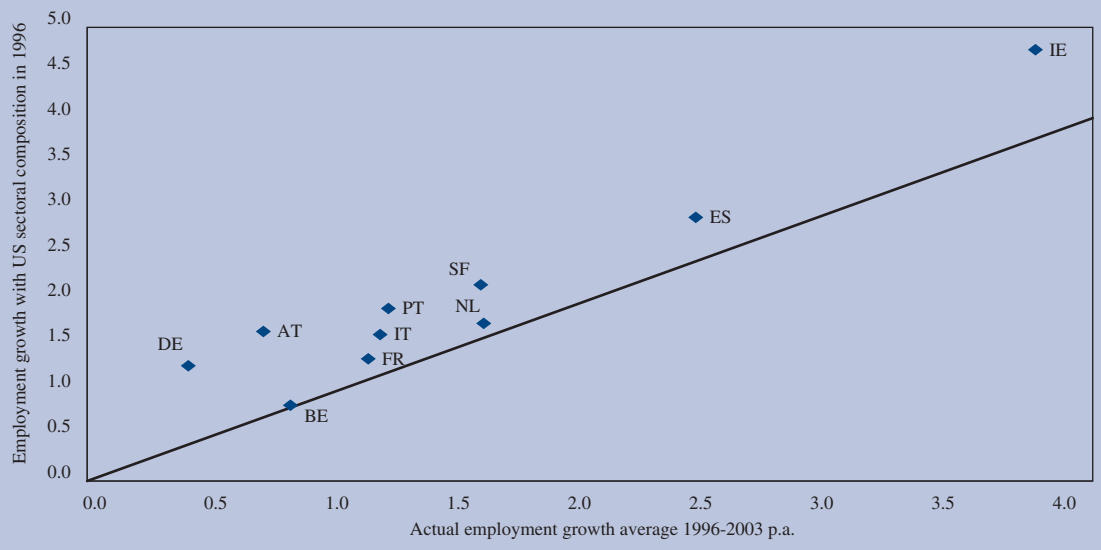
Source: Commission services.

Graph A12: **Ranking of employment and output performance 1985-1995**



Source: Commission services.

Graph A13: **Actual employment growth and fictive employment growth if the initial sectoral composition had been similar to the USA**



Source: GDGC, Commission services.

Graph A14: **Breakdown of sectoral composition effect – comparison with USA**

Source: GDGC, Commission services.

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(Section 6)

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Annex 2 — Decomposing changes in employment rates: taking account of the population effect and participation rate effect

By applying a simple shift-share analysis, the change in the overall participation rate (PR) can be algebraically decomposed into changes over time (from time 0 to time 1) in its three main components, a population composition effect, a participation rate effect and an interaction effect:

$$PR^1 - PR^0 = \sum_i (PR_i^1 \times p_i^1) - \sum_i (PR_i^0 \times p_i^0)$$

where PR= participation rate, p= share of population

Thus, adding

$$\sum_i [(PR_i^1 \times p_i^0) + (PR_i^0 \times p_i^0) + (PR_i^0 \times p_i^1)]$$
$$- \sum_i [(PR_i^1 \times p_i^0) + (PR_i^0 \times p_i^0) + (PR_i^0 \times p_i^1)]$$

and rearranging one obtains:

$$PR^1 - PR^0 = \sum_i PR_i^0 \times (p_i^1 - p_i^0)$$
$$+ \sum_i p_i^0 \times (PR_i^1 - PR_i^0)$$
$$+ \sum_i (p_i^1 - p_i^0) \times (PR_i^1 - PR_i^0)$$

where the first part is the *population composition effect*, due to changes in the demographic structure, had the participation rate remained constant; the second part is *the participation rate effect,* due to changes in participation rate of specific cohort, keeping constant the population structure, and the third represents the effect due to the interaction of the changes in the two components. Even if the participation rate effect is assumed to be zero (when $PR^1=PR^0$), the overall participation rate may change because of changing demographic structure (changes in $p_{i,}$).

The same decomposition can be applied to the overall employment rate (ER) or to the number of employees or the size of labour supply for each age-cohort. For example, for the number of employees (E) in a given age-cohort *i*, the change over time can be expressed as:

$$E_i^1 - E_1^0 = \left\lfloor p_1^0 \times (ER_i^1 - ER_i^0) \right]$$
$$+ [ER_i^0 \times (p_i^1 - p_i^0)\rfloor + \left\lfloor (p_i^1 - p_i^0) \times (ER_i^1 - ER_i^0)\right\rfloor$$

Results of such decompositions for each Member State are reproduced in Table A1-Table A3.

Table A3

Decomposing contribution to employment growth, 2001-2005

Contribution to employment growth (age 15-64) — annual rate 2001-2005
(in percentage points)
Contribution to annual employment growth by:

Country	Total annual growth rate: 2001-05	Young	Prime age	Older	MALE:	Young	Prime age	Older	FEMALE:	Young	Prime age	Older
BE	1.4	– 0.1	0.5	1.0	0.0	– 0.1	– 0.1	0.2	1.4	0.0	0.5	0.8
DK	0.0	0.1	– 0.6	0.5	0.0	0.0	– 0.2	0.2	0.0	0.0	– 0.3	0.4
DE	– 0.2	0.0	– 0.4	0.2	– 0.4	0.0	– 0.4	0.0	0.1	0.0	0.0	0.2
EL	1.7	– 0.4	1.8	0.3	0.7	– 0.2	0.8	0.2	1.0	– 0.2	1.0	0.1
ES	4.1	0.1	3.4	0.5	1.8	0.0	1.5	0.3	2.2	0.1	1.9	0.3
FR	0.8	0.1	– 0.1	0.7	0.1	0.1	– 0.3	0.4	0.6	0.0	0.2	0.4
IE	2.8	– 0.1	2.2	0.6	1.3	– 0.1	1.1	0.3	1.5	0.0	1.1	0.3
IT	1.2	– 0.2	1.0	0.3	0.3	– 0.1	0.2	0.1	0.9	– 0.1	0.8	0.2
LU	1.4	0.0	0.9	0.5	0.4	0.0	0.1	0.2	0.9	– 0.3	0.9	0.3
NL	– 0.1	– 0.2	– 0.6	0.7	– 0.4	– 0.1	– 0.7	0.4	0.3	– 0.1	0.1	0.3
AT	0.6	0.4	0.0	0.3	0.0	0.2	– 0.2	0.1	0.6	0.2	0.2	0.2
PT	– 0.1	– 0.8	0.6	0.2	– 0.3	– 0.5	0.2	0.0	0.2	– 0.3	0.4	0.2
FI	0.2	– 0.1	– 0.7	0.9	– 0.1	– 0.1	– 0.4	0.5	0.2	0.0	– 0.3	0.5
SE	0.0	– 0.1	– 0.5	0.7	0.1	– 0.1	– 0.2	0.4	0.0	– 0.1	– 0.3	0.3
UK	0.5	0.0	– 0.1	0.6	0.2	0.0	– 0.2	0.3	0.4	0.0	0.0	0.3
Euro area	1.0	– 0.1	0.6	0.4	0.2	– 0.1	0.1	0.2	0.7	0.0	0.5	0.2
EU-15	0.9	– 0.1	0.4	0.5	0.2	0.0	0.0	0.2	0.7	0.0	0.4	0.3
CY	2.9	0.0	2.4	0.5	1.6	0.2	1.1	0.3	1.4	0.0	1.3	0.1
CZ	0.2	– 0.8	0.1	0.9	0.3	– 0.3	0.2	0.5	– 0.1	– 0.5	0.0	0.4
EE	1.2	0.2	0.7	0.3	0.2	0.0	0.3	– 0.1	0.9	0.2	0.4	0.4
HU	– 0.1	– 1.2	0.4	0.7	– 0.1	– 0.7	0.3	0.3	0.0	– 0.5	0.1	0.4
LT	2.4	0.0	1.8	0.5	1.6	0.1	1.3	0.2	0.7	– 0.1	0.5	0.3
LV	1.6	0.5	0.6	0.6	1.1	0.3	0.6	0.2	0.6	0.1	0.0	0.4
MT	0.3	– 0.6	0.7	0.2	0.0	– 0.2	0.0	0.1	0.3	– 0.3	0.5	0.1
PL	– 0.1	– 0.2	– 0.1	0.2	0.1	– 0.1	0.0	0.2	– 0.2	– 0.1	– 0.1	0.1
SK	1.0	– 0.3	0.7	0.5	1.0	0.0	0.7	0.4	0.0	– 0.3	0.1	0.2
SI	0.9	0.1	0.4	0.3	0.4	0.1	0.1	0.3	0.5	0.0	0.4	0.1
EU-25	0.8	– 0.1	0.4	0.5	0.2	0.0	0.0	0.2	0.6	0.0	0.3	0.2

Source: Commission services.

Table A4

Decomposing contribution to changes in employment rate, 2004

Contribution to changes by gender and age groups (in percentage points unless otherwise indicated)

Country	Employment rate 2005	% change 2004-05	Contribution of group-specific shifts of ER to changes of aggregate employment rates											Demographic effect			
			TOTAL	Young	Prime age	Older	MALE:	Young	Prime age	Older	FEMALE:	Young	Prime age	Older	TOTAL	Young	Prime age	Older
BE	61.1	0.7	1.0	– 0.1	0.7	0.3	0.3	0.0	0.1	0.2	0.7	0.0	0.6	0.1	– 0.2	0.0	– 0.3	0.1
DK	75.9	0.2	0.4	0.0	0.5	– 0.2	0.1	0.0	0.3	– 0.2	0.3	0.0	0.3	0.0	– 0.1	0.1	– 0.5	0.2
DE	65.4	1.2	1.0	0.1	0.1	0.8	0.6	0.1	0.2	0.3	0.4	0.0	0.0	0.4	0.2	0.3	0.4	– 0.5
EL	60.1	0.7	0.4	– 0.3	0.4	0.4	0.1	– 0.2	0.1	0.2	0.3	– 0.1	0.3	0.2	0.3	– 0.2	0.4	0.0
ES	63.3	2.2	2.0	0.6	1.2	0.3	0.6	0.3	0.3	0.1	1.4	0.3	0.9	0.2	0.2	– 0.2	0.3	0.1
FR	63.1	0.0	0.2	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.1	0.1	– 0.2	0.0	– 0.4	0.2
IE	67.6	1.4	1.2	0.2	0.7	0.3	0.3	0.1	0.2	0.1	0.9	0.1	0.5	0.2	0.1	– 0.3	0.4	0.1
IT	57.6	0.0	– 0.1	– 0.3	0.1	0.2	– 0.1	– 0.1	0.0	0.0	0.0	– 0.2	0.0	0.1	0.1	0.0	0.1	0.0
LU	63.5	0.9	1.6	0.2	1.0	0.3	0.3	– 0.1	0.3	0.1	1.3	0.3	0.8	0.2	– 0.6	0.1	– 0.9	0.2
NL	73.2	0.1	0.3	– 0.1	0.3	0.2	– 0.1	– 0.1	0.0	0.0	0.4	0.0	0.3	0.2	– 0.2	0.0	– 0.4	0.2
AT	68.6	0.9	0.7	0.2	0.0	0.5	0.2	0.1	– 0.1	0.2	0.6	0.1	0.1	0.3	0.2	0.1	0.1	– 0.1
PT	67.5	– 0.4	– 0.4	– 0.2	– 0.2	0.0	– 0.4	– 0.1	– 0.2	– 0.1	0.0	– 0.1	0.0	0.1	0.0	– 0.1	– 0.2	0.3
FI	68.4	0.8	1.0	0.2	0.4	0.3	0.4	0.1	0.2	0.1	0.6	0.1	0.2	0.2	– 0.2	0.0	– 0.6	0.3
SE	72.3	0.2	0.4	0.0	0.3	0.1	0.4	0.0	0.4	0.1	0.0	0.0	0.0	0.0	– 0.2	0.1	– 0.5	0.2
UK	71.7	0.0	0.1	– 0.3	0.2	0.1	– 0.1	– 0.1	0.0	0.0	0.2	– 0.1	0.2	0.1	– 0.1	0.0	– 0.2	0.1
Euro area	63.4	0.7	0.7	0.0	0.3	0.3	0.2	0.0	0.1	0.1	0.5	0.0	0.2	0.2	0.0	0.0	0.1	– 0.1
EU-15	65.0	0.6	0.6	0.0	0.3	0.3	0.1	0.0	0.1	0.1	0.4	0.0	0.2	0.2	0.0	0.0	0.0	0.0
CY	68.5	– 0.6	– 0.6	– 0.1	– 0.6	0.0	– 0.4	– 0.1	– 0.3	0.0	– 0.2	0.0	– 0.3	0.1	0.1	0.0	0.0	0.0
CZ	64.8	0.6	0.6	– 0.1	0.4	0.3	0.5	0.1	0.2	0.2	0.1	– 0.2	0.2	0.1	0.0	– 0.1	– 0.2	0.2
EE	64.5	1.4	1.4	0.4	0.4	0.6	0.3	0.0	0.1	0.2	1.1	0.4	0.4	0.4	– 0.1	0.1	– 0.1	– 0.1
HU	56.9	0.2	0.0	– 0.3	0.1	0.3	– 0.1	– 0.2	0.0	0.2	0.1	– 0.1	0.1	0.2	0.1	– 0.1	0.1	0.0
LT	62.6	1.5	1.5	0.2	1.0	0.3	0.7	0.1	0.5	0.1	0.8	0.1	0.5	0.2	0.0	0.0	0.0	0.0
LV	63.3	1.0	1.1	0.5	0.3	0.3	0.6	0.3	0.4	0.0	0.5	0.2	0.0	0.3	0.0	0.1	0.0	– 0.1
MT	53.9	– 0.2	0.2	– 0.3	0.2	– 0.2	– 0.5	– 0.2	0.0	– 0.3	0.7	0.3	0.3	0.2	0.0	0.1	– 0.1	0.0
PL	52.8	1.1	1.2	0.2	0.9	0.1	0.9	0.1	0.7	0.1	0.3	0.1	0.2	0.0	– 0.1	– 0.1	– 0.1	0.2
SK	57.7	0.8	0.7	– 0.2	0.4	0.5	0.7	0.0	0.4	0.2	0.0	– 0.2	– 0.1	0.2	0.0	– 0.1	0.0	0.1
SI	66.0	0.7	0.2	0.1	0.0	0.2	0.1	– 0.1	0.0	0.2	0.1	0.1	0.0	0.1	0.4	– 0.2	0.7	0.0
EU-25	63.6	0.6	0.6	0.0	0.3	0.3	0.2	0.0	0.1	0.1	0.4	0.0	0.2	0.2	0.0	0.0	0.0	0.0

Source: Commission services.

Table A5

Decomposing contribution to changes in participation rate, 2004

Contribution to changes by gender and age groups (in percentage points unless otherwise indicated)

	Participation rate % change		Contribution of group-specific shifts of participation rates to changes of aggregate participation rates											Demographic effect			
Country	2005	2004–05	TOTAL	Young	Prime age	Older	MALE:	Young	Prime age	Older	FEMALE:	Young	Prime age	Older	TOTAL	Young	Prime age	Older
BE	66.7	0.9	1.1	0.0	0.8	0.3	0.4	0.0	0.1	0.2	0.7	0.0	0.7	0.1	– 0.2	0.0	– 0.3	0.1
DK	79.8	– 0.3	– 0.2	0.0	0.0	– 0.2	– 0.1	0.0	0.1	– 0.2	0.0	0.0	– 0.1	0.0	– 0.1	0.1	– 0.5	0.3
DE	73.8	1.7	1.6	0.4	0.3	0.9	0.8	0.2	0.2	0.4	0.8	0.2	0.1	0.5	0.2	0.3	0.5	– 0.6
EL	66.8	0.3	0.0	– 0.5	0.2	0.3	– 0.1	– 0.3	0.0	0.2	0.1	– 0.3	0.2	0.2	0.3	– 0.2	0.5	0.0
ES	69.7	1.0	0.9	0.5	0.2	0.2	0.2	0.2	– 0.1	0.0	0.7	0.3	0.2	0.2	0.2	– 0.3	0.4	0.1
FR	69.5	0.0	0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.1	0.1	– 0.2	0.0	– 0.4	0.2
IE	70.8	1.3	1.1	0.2	0.6	0.3	0.2	0.1	0.1	0.1	0.9	0.1	0.5	0.3	0.1	– 0.3	0.4	0.1
IT	62.5	– 0.3	– 0.3	– 0.4	– 0.1	0.1	– 0.2	– 0.1	– 0.1	0.0	– 0.2	– 0.2	0.0	0.1	0.1	0.0	0.1	0.0
LU	66.8	0.9	1.5	0.1	0.7	0.7	0.6	0.2	0.0	0.4	0.9	– 0.1	0.8	0.2	– 0.6	0.1	– 0.9	0.2
NL	76.9	0.3	0.5	– 0.1	0.3	0.2	0.0	– 0.1	0.0	0.0	0.5	0.0	0.3	0.2	– 0.2	0.0	– 0.5	0.2
AT	72.4	1.1	0.9	0.3	0.1	0.5	0.3	0.2	0.0	0.2	0.6	0.1	0.1	0.3	0.2	0.2	0.1	– 0.1
PT	73.4	0.4	0.4	– 0.1	0.5	0.1	0.0	– 0.1	0.1	0.0	0.5	– 0.1	0.4	0.1	0.0	– 0.2	– 0.2	0.3
FI	74.7	0.5	0.7	0.2	0.2	0.3	0.2	0.0	0.0	0.1	0.5	0.1	0.2	0.2	– 0.2	0.0	– 0.6	0.4
SE	78.2	1.0	1.2	0.5	0.7	0.0	0.8	0.2	0.5	0.1	0.4	0.3	0.2	– 0.1	– 0.2	0.2	– 0.5	0.2
UK	75.3	0.1	0.2	– 0.2	0.2	0.1	0.0	– 0.1	0.0	0.0	0.2	– 0.1	0.2	0.1	– 0.1	0.0	– 0.3	0.2
Euro area	69.8	0.6	0.6	0.0	0.2	0.3	0.2	0.0	0.1	0.1	0.4	0.0	0.2	0.2	0.1	0.0	0.1	– 0.1
EU-15	70.9	0.5	0.5	0.0	0.2	0.3	0.2	0.0	0.1	0.1	0.4	0.0	0.2	0.2	0.0	0.0	0.0	0.0
CY	72.4	– 0.2	– 0.1	0.2	– 0.3	– 0.1	0.1	0.1	0.0	– 0.1	– 0.2	0.1	– 0.4	0.1	0.1	0.0	0.0	0.0
CZ	70.4	0.4	0.4	– 0.2	0.3	0.3	0.3	0.0	0.1	0.2	0.1	– 0.2	0.2	0.2	– 0.1	– 0.1	– 0.2	0.2
EE	70.1	0.2	0.3	0.0	– 0.3	0.5	– 0.3	– 0.2	– 0.3	0.1	0.6	0.2	0.0	0.4	– 0.1	0.1	– 0.1	– 0.1
HU	61.3	0.9	0.8	– 0.2	0.5	0.4	0.3	– 0.1	0.2	0.2	0.5	– 0.1	0.4	0.2	0.1	– 0.1	0.1	0.0
LT	68.4	– 0.7	– 0.7	– 0.2	– 0.5	0.0	– 0.3	– 0.2	– 0.2	0.0	– 0.4	– 0.1	– 0.3	0.0	0.0	0.0	0.0	0.0
LV	69.6	– 0.1	– 0.1	0.1	– 0.4	0.2	0.1	0.1	– 0.1	0.1	– 0.1	0.0	– 0.3	0.2	0.0	0.1	0.0	– 0.1
MT	58.1	– 0.1	0.1	– 0.2	0.4	– 0.2	– 0.5	– 0.5	0.0	0.0	0.6	0.3	0.2	0.1	0.0	0.1	– 0.1	0.0
PL	64.4	0.4	0.5	0.0	0.4	0.1	0.4	0.0	0.3	0.1	0.1	0.0	0.1	0.0	– 0.1	– 0.2	– 0.2	0.2
SK	68.9	– 0.8	– 0.8	– 0.6	– 0.6	0.4	0.0	– 0.2	0.0	0.2	– 0.7	– 0.4	– 0.6	0.2	0.0	– 0.2	0.0	0.1
SI	70.7	0.9	0.4	0.0	0.1	0.4	0.2	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.4	– 0.3	0.7	0.0
EU-25	70.0	0.5	0.5	0.0	0.2	0.3	0.2	0.0	0.1	0.1	0.3	0.0	0.2	0.2	0.0	0.0	0.0	0.0

Source: Commission service.

Statistical annex

Country tables

Work status of persons
Belgium

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	10 263	10 310	10 356	10 396	*10 477*	0.8	%
2. Population (working age: 15-64)		6 729	6 758	6 791	6 819	*6 876*	0.8	%
as % of total population		65.6	65.5	65.6	65.6	*65.6*	0.0	p.p.
3. Labour force (15-64)	**1 000 pers.**	4 320	4 378	4 409	4 493	*4 589*	2.1	%
Male		2 479	2 490	2 493	2 528	*2 557*	1.2	%
Female		1 841	1 888	1 917	1 965	*2 032*	3.4	%
4. Activity rate (as % of population 15-64)		64.2	64.8	64.9	65.9	*66.7*	0.9	p.p.
Young (15-24)		35.7	35.7	35.0	35.3	*35.0*	– 0.2	p.p.
Prime age (25-54)		81.2	81.9	82.3	83.4	*84.6*	1.2	p.p.
Older (55-64)		25.9	27.7	28.9	31.2	*33.3*	2.1	p.p.
Male		73.2	73.2	72.9	73.4	*73.9*	0.5	p.p.
Young (15-24)		39.6	38.9	38.4	37.7	*37.6*	0.0	p.p.
Prime age (25-54)		91.0	91.3	90.9	91.8	*92.2*	0.4	p.p.
Older (55-64)		36.4	37.5	38.9	40.4	*43.4*	3.0	p.p.
Female		55.1	56.3	56.9	58.2	*59.5*	1.3	p.p.
Young (15-24)		31.7	32.4	31.4	32.8	*32.3*	– 0.5	p.p.
Prime age (25-54)		71.2	72.4	73.6	74.7	*76.8*	2.1	p.p.
Older (55-64)		15.9	18.2	19.3	22.1	*23.3*	1.2	p.p.
5. Employment rate (as % of population 15-64)		59.9	59.9	59.6	60.3	*61.1*	0.7	p.p.
Young (15-24)		29.7	29.4	27.3	27.8	*27.5*	– 0.3	p.p.
Prime age (25-54)		76.6	76.5	76.5	77.3	*78.3*	1.1	p.p.
Older (55-64)		25.1	26.6	28.1	30.0	*31.8*	1.8	p.p.
Male		68.8	68.3	67.3	67.9	*68.3*	0.4	p.p.
Young (15-24)		33.2	32.1	29.9	30.1	*29.7*	– 0.3	p.p.
Prime age (25-54)		86.5	86.1	85.0	85.8	*86.1*	0.3	p.p.
Older (55-64)		35.1	36.0	37.8	39.1	*41.7*	2.7	p.p.
Female		50.9	51.4	51.8	52.7	*53.8*	1.1	p.p.
Young (15-24)		26.0	26.5	24.7	25.4	*25.2*	– 0.2	p.p.
Prime age (25-54)		66.5	66.8	67.8	68.5	*70.4*	1.9	p.p.
Older (55-64)		15.4	17.6	18.6	21.1	*22.1*	1.1	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		4 033	4 047	4 047	4 114	*4 199*	86	Th.
Male (as % of total)		57.8	57.4	56.8	56.8	*56.2*	– 0.6	p.p.
Female (as % of total)		42.2	42.6	43.2	43.2	*43.8*	0.6	p.p.
7. Employment growth (%) (national accounts)		1.4	– 0.1	– 0.1	0.6	*0.9*		p.p.
Employment growth (%) (LFS, age 15-64)		**– 0.8**	**0.4**	**0.0**	**1.6**	***2.1***		p.p.
Male		**– 0.9**	**– 0.3**	**– 1.0**	**1.6**	***1.1***		p.p.
Female		**– 0.9**	**1.3**	**1.3**	**1.8**	***3.4***		p.p.
8. Self employed (% of total employment)		8.7	8.7	8.6	8.3	*8.5*	0.2	p.p.
Male		10.0	10.1	10.0	9.9	*10.2*	0.3	p.p.
Female		6.9	6.8	6.9	6.2	*6.4*	0.2	p.p.
9. Temporary employment (as % total)		8.8	8.1	8.4	8.7	*8.9*	0.1	p.p.
Male		6.3	5.7	6.2	6.4	*6.8*	0.4	p.p.
Female		12.0	11.2	11.1	11.7	*11.4*	– 0.3	p.p.
10. Part-time (as % of total employment)		18.4	19.0	20.3	21.2	*21.7*	0.5	p.p.
Male		4.9	5.3	6.1	6.6	*7.1*	0.5	p.p.
Female		36.8	37.4	39.0	40.4	*40.4*	0.0	p.p.
11. Unemployment rate (harmonised: 15-74)		6.6	7.5	8.2	8.4	*8.4*	0.0	p.p.
Young (15-24)		17.1	17.8	21.8	21.1	*21.5*	0.4	p.p.
Prime age (25-54)		5.6	6.6	7.1	7.3	*7.4*	0.0	p.p.
Older (55-64)		3.0	3.9	2.9	3.9	*4.6*	0.7	p.p.
Male		5.9	6.7	7.6	7.5	*7.6*	0.1	p.p.
Young (15-24)		16.3	17.3	22.1	20.1	*21.0*	0.9	p.p.
Prime age (25-54)		4.9	5.7	6.5	6.5	*6.6*	0.0	p.p.
Older (55-64)		3.6	3.9	2.8	3.3	*3.8*	0.5	p.p.
Female		7.5	8.6	8.9	9.5	*9.5*	0.1	p.p.
Young (15-24)		17.9	18.1	21.3	22.4	*22.0*	– 0.5	p.p.
Prime age (25-54)		6.5	7.8	7.8	8.4	*8.4*	0.1	p.p.
Older (55-64)		3.2	3.8	3.5	4.8	*5.3*	0.5	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		48.6	48.8	45.4	49.1	*51.7*	2.6	p.p.
13. Worked hours (average actual weekly hours)		37.1	37.1	36.7	36.5	*36.7*	0.5	%
Male		40.5	40.3	40.2	40.1	*40.1*	0.2	%
Female		32.4	32.7	32.0	31.8	*32.1*	1.1	%
14. Sectoral employment growth								
Agriculture		– 4.1	– 4.1	– 4.4	– 3.0	*– 1.2*		p.p.
Building and construction		1.4	– 2.1	– 0.8	– 0.3	*0.6*		p.p.
Services		1.8	0.9	0.7	1.3	*1.4*		p.p.
Manufacturing industry		0.8	– 3.6	– 2.8	– 2.3	*– 1.0*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Belgium

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.6	3.8	1.7	2.1	2.4	1.5	2.2	2.1	3.7
Compensation of employees per hour worked	3.9	4.1	2.1	3.5	3.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.0	5.0	1.3	2.2	:	:	:	:	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	4.0	2.1	0.7	0.1	2.1	1.6	1.9	2.5	2.1
Real unit labour costs deflated by GDP deflator	2.2	0.3	– 1.0	– 2.1	– 0.1	– 0.6	– 0.3	0.2	– 0.1
Wages and salaries	3.4	1.3	– 0.5	1.2	2.9	1.9	3.2	3.5	3.4
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wages share (% of GDP at current market prices)	70.9	71.1	70.3	69.2	68.6	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	32.4	32.9	29.0	30.3	:	:	:	:	:
Total wage (as % of total labour costs)	67.6	67.2	71.0	69.7	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	57.3	54.4	54.4	69.1	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	30.7	30.6	28.9	30.3	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.2	1.1	0.1	0.0	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	– 0.4	1.7	1.0	2.0	0.3	– 0.1	0.3	– 0.4	1.6
Hourly labour productivity	– 0.6	1.7	1.3	3.3	0.9	:	:	:	:
GDP	1.0	1.5	0.9	2.6	1.2	1.2	1.5	1.0	1.3
ECFIN NAIRU estimate	7.8	7.7	7.7	7.6	7.5	:	:	:	:
Output gap (%)	0.8	0.3	– 0.7	0.0	– 0.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	2.1	2.1	1.7	1.4	1.4	1.4	1.3	1.3	1.6
GDP deflator	1.8	1.8	1.7	2.3	2.2	2.2	2.2	2.3	2.2
Sectoral breakdown of unit labour costs									
Agriculture and fishery	15.7	– 13.0	17.8	– 6.6	– 6.9	– 12.5	– 6.4	– 4.5	– 2.3
Industry excluding construction	4.4	0.7	– 0.2	– 1.4	1.3	0.6	0.8	3.4	1.4
of which: manufacturing	4.0	– 0.3	0.0	– 1.5	0.0	:	:	:	:
Construction	2.1	2.4	0.4	– 1.8	– 0.2	– 4.4	3.1	0.0	1.6
Trade, transport and communication	1.9	2.4	– 2.0	1.9	0.7	2.4	0.1	– 0.2	0.6
Finance and business services	5.1	0.3	0.8	0.9	2.7	2.8	2.1	3.1	2.4
Non-market-related services	3.8	5.3	2.0	2.6	2.9	2.4	:	:	:
Market-related sectors	3.4	1.0	– 0.1	0.2	1.3	1.3	1.1	1.9	1.3
Sectoral breakdown of compensation per employee									
Total industries	3.6	3.8	1.7	2.1	2.4	0.0	0.0	0.0	0.0
Agriculture and fishery	6.4	3.3	3.1	6.0	1.6	– 2.3	2.5	3.3	4.5
Industry excluding construction	3.3	4.4	1.7	3.2	2.0	1.7	2.1	2.4	1.8
of which: manufacturing	3.3	4.1	2.1	3.2	2.4	:	:	:	:
Construction	1.4	3.0	2.2	4.1	0.6	– 4.6	4.1	2.3	1.4
Trade, transport and communication	3.1	5.0	2.0	3.0	1.8	1.7	1.7	1.9	2.0
Finance and business services	6.4	1.2	1.9	0.5	0.9	0.7	0.4	0.9	1.3
Non-market-related services	3.4	4.8	1.9	1.6	4.0	2.7	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 8.1	18.7	– 12.5	13.5	9.1	11.8	9.5	8.2	7.0
Industry excluding construction	– 1.1	3.7	1.9	4.8	0.7	1.1	1.3	– 0.9	0.5
of which: manufacturing	– 0.8	4.4	2.0	4.8	2.4	:	:	:	:
Construction	– 0.6	0.6	1.8	6.0	0.8	– 0.2	1.0	2.3	– 0.2
Trade, transport and communication	1.2	2.5	4.1	1.1	1.2	– 0.6	1.6	2.1	1.4
Finance and business services	1.3	0.9	1.1	– 0.4	– 1.7	– 2.1	– 1.6	– 2.1	– 1.1
Non-market-related services	– 0.4	– 0.5	– 0.1	– 1.0	1.1	0.2	1.3	1.6	1.5
Market-related sectors	0.3	2.5	1.8	2.2	0.2	– 0.3	0.5	– 0.1	0.3

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Czech Republic

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	10 176	10 171	10 179	10 196	*10 229*	0.3	%
2. Population (working age: 15-64)		7 121	7 149	7 182	7 231	*7 270*	0.5	%
as % of total population		70.0	70.3	70.6	70.9	*71.1*	0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	5 045	5 048	5 044	5 063	*5 119*	1.1	%
Male		2 786	2 799	2 792	2 815	*2 857*	1.5	%
Female		2 259	2 249	2 252	2 248	*2 262*	0.6	%
4. Activity rate (as % of population 15-64)		70.8	70.6	70.2	70.0	*70.4*	0.4	p.p.
Young (15-24)		41.5	38.7	36.8	35.2	*34.0*	– 1.2	p.p.
Prime age (25-54)		88.4	88.2	87.8	87.8	*88.3*	0.5	p.p.
Older (55-64)		39.0	42.5	44.2	45.1	*46.9*	1.8	p.p.
Male		78.6	78.6	78.0	77.9	*78.4*	0.5	p.p.
Young (15-24)		45.1	42.3	39.6	38.7	*38.8*	0.1	p.p.
Prime age (25-54)		94.9	94.8	94.4	94.5	*94.8*	0.3	p.p.
Older (55-64)		55.0	59.2	59.9	60.2	*62.1*	2.0	p.p.
Female		63.2	62.7	62.5	62.2	*62.4*	0.2	p.p.
Young (15-24)		37.9	35.2	33.9	31.5	*28.9*	– 2.6	p.p.
Prime age (25-54)		81.8	81.5	81.0	80.9	*81.6*	0.7	p.p.
Older (55-64)		24.5	27.2	30.0	31.3	*33.0*	1.6	p.p.
5. Employment rate (as % of population 15-64)		65.0	65.4	64.7	64.1	*64.8*	0.6	p.p.
Young (15-24)		34.2	32.2	30.0	27.8	*27.5*	– 0.3	p.p.
Prime age (25-54)		82.1	82.5	81.7	81.4	*82.0*	0.6	p.p.
Older (55-64)		37.1	40.8	42.3	42.6	*44.5*	1.8	p.p.
Male		73.2	73.9	73.1	72.3	*73.3*	1.0	p.p.
Young (15-24)		37.0	35.2	32.4	30.1	*31.3*	1.2	p.p.
Prime age (25-54)		89.7	90.2	89.7	89.2	*89.8*	0.6	p.p.
Older (55-64)		52.6	57.1	57.5	57.2	*59.3*	2.1	p.p.
Female		56.9	57.0	56.3	56.0	*56.3*	0.3	p.p.
Young (15-24)		31.4	29.1	27.6	25.4	*23.4*	– 2.0	p.p.
Prime age (25-54)		74.4	74.7	73.5	73.4	*74.0*	0.6	p.p.
Older (55-64)		23.2	25.8	28.5	29.4	*30.8*	1.4	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		4 631	4 677	4 647	4 638	*4 710*	72	Th.
Male (as % of total)		56.0	56.3	56.4	56.4	*56.7*	0.3	p.p.
Female (as % of total)		44.0	43.7	43.6	43.6	*43.3*	– 0.4	p.p.
7. Employment growth (%) (national accounts)		0.4	1.5	– 1.4	0.1	*0.9*		p.p.
Employment growth (%) (LFS, age 15-64)		**0.1**	**1.0**	**– 0.6**	**– 0.2**	***1.5***		p.p.
Male		**0.2**	**1.4**	**– 0.5**	**– 0.2**	***2.2***		p.p.
Female		**0.0**	**0.5**	**– 0.8**	**– 0.2**	***0.7***		p.p.
8. Self employed (% of total employment)		10.6	11.3	12.2	12.1	*11.4*	– 0.7	p.p.
Male		13.3	14.4	15.5	15.5	*14.7*	– 0.8	p.p.
Female		7.0	7.3	8.0	7.7	*7.1*	– 0.6	p.p.
9. Temporary employment (as % total)		7.2	7.3	8.4	8.4	*7.9*	– 0.5	p.p.
Male		6.3	6.1	7.1	7.0	*6.9*	– 0.2	p.p.
Female		8.3	8.7	10.0	10.0	*9.2*	– 0.8	p.p.
10. Part-time (as % of total employment)		4.3	4.3	4.5	4.3	*4.4*	0.0	p.p.
Male		1.6	1.7	1.7	1.7	*1.6*	– 0.1	p.p.
Female		7.7	7.8	8.0	7.7	*8.0*	0.3	p.p.
11. Unemployment rate (harmonised: 15-74)		8.0	7.3	7.8	8.3	*7.9*	– 0.4	p.p.
Young (15-24)		17.6	16.9	18.5	21.0	*19.2*	– 1.7	p.p.
Prime age (25-54)		7.1	6.5	7.0	7.3	*7.1*	– 0.2	p.p.
Older (55-64)		4.8	4.0	4.4	5.4	*5.2*	– 0.2	p.p.
Male		6.7	5.9	6.2	7.1	*6.5*	– 0.6	p.p.
Young (15-24)		17.9	16.7	18.2	22.2	*19.4*	– 2.8	p.p.
Prime age (25-54)		5.5	4.9	5.0	5.6	*5.3*	– 0.4	p.p.
Older (55-64)		4.4	3.5	3.9	5.0	*4.5*	– 0.4	p.p.
Female		9.7	9.0	9.9	9.9	*9.8*	– 0.1	p.p.
Young (15-24)		17.2	17.2	18.7	19.5	*19.2*	– 0.3	p.p.
Prime age (25-54)		9.1	8.3	9.3	9.3	*9.4*	0.1	p.p.
Older (55-64)		5.6	5.1	5.0	6.1	*6.5*	0.4	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		52.1	50.3	48.7	51.0	*53.0*	2.1	p.p.
13. Worked hours (average actual weekly hours)		41.5	41.7	41.8	41.7	*41.7*	0.1	%
Male		43.3	43.7	43.9	43.7	*43.6*	– 0.2	%
Female		39.0	38.9	38.9	39.0	*39.1*	0.3	%
14. Sectoral employment growth								
Agriculture		– 8.4	– 8.9	8.0	– 1.0	*– 1.8*		p.p.
Building and construction		– 2.1	– 6.2	7.9	– 0.4	*1.9*		p.p.
Services		0.7	2.9	– 1.3	1.0	*1.1*		p.p.
Manufacturing industry		2.9	3.3	– 5.0	– 1.4	*1.0*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Czech Republic

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	7.4	6.0	7.7	6.2	4.7	4.7	5.0	6.7	5.4
Compensation of employees per hour worked	11.8	7.9	6.6	5.6	5.4	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	13.1	7.5	5.8	6.1	4.5	4.0	4.2	3.8	6.0
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	5.1	6.0	2.9	1.5	– 0.3	– 0.6	– 0.5	0.9	– 1.2
Real unit labour costs deflated by GDP deflator	0.2	3.2	0.4	– 1.9	– 0.3	– 2.5	– 1.3	0.1	1.9
Wages and salaries	7.0	4.6	6.0	4.5	– 3.2	3.6	4.6	6.4	5.7
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	57.5	59.6	59.6	59.3	59.4	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	28.0	28.2	28.2	28.1	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	72.0	71.8	71.8	71.9	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	62.9	62.9	63.0	63.0	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	26.6	26.9	26.9	26.9	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.4	1.3	1.3	1.2	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	2.2	0.0	4.6	4.6	5.0	5.3	5.5	5.8	6.6
Hourly labour productivity	7.0	0.9	5.1	3.9	4.8	:	:	:	:
GDP	2.6	1.5	3.2	4.7	6.0	5.3	5.8	5.8	6.9
ECFIN NAIRU estimate	7.0	7.3	7.3	7.4	7.5	:	:	:	:
Output gap (%)	– 1.5	– 2.8	– 3.2	– 2.3	– 0.2	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	3.1	2.0	0.4	2.5	0.9	1.4	0.7	0.5	0.8
GDP deflator	4.9	2.8	2.6	3.4	0.0	2.0	0.9	0.7	0.8
Sectoral breakdown of unit labour costs									
Agriculture and fishery	9.6	1.1	2.5	– 12.7	1.0	– 16.8	– 19.4	5.4	– 1.5
Industry excluding construction	17.9	10.1	– 8.1	2.3	– 2.5	– 5.3	– 3.3	– 4.9	– 7.8
of which: manufacturing	11.8	– 2.7	– 5.6	1.9	– 4.7	:	:	:	:
Construction	16.8	9.7	6.1	3.5	7.4	8.9	7.5	2.6	– 1.9
Trade, transport and communication	4.7	20.3	– 3.7	1.7	2.0	– 3.0	– 4.7	0.2	– 0.6
Finance and business services	2.6	25.6	2.9	0.8	14.6	0.5	1.8	– 0.1	5.5
Non-market-related services	13.2	21.3	7.3	2.8	15.4	:	:	:	:
Market-related sectors	:	:	:	0.3	– 7.5	– 3.4	– 3.0	– 0.7	– 2.4
Sectoral breakdown of compensation per employee									
Total industries	12.2	17.2	4.2	6.0	12.1	0.0	0.0	0.0	0.0
Agriculture and fishery	11.2	14.2	– 0.9	7.9	13.9	1.6	4.4	3.5	3.1
Industry excluding construction	9.7	15.7	3.0	7.1	6.5	2.6	4.2	5.2	5.1
of which: manufacturing	5.0	4.3	6.8	7.3	4.6	:	:	:	:
Construction	9.6	20.5	2.8	7.5	– 2.1	2.3	3.7	3.8	2.9
Trade, transport and communication	13.3	16.0	3.9	7.0	15.1	4.7	4.5	6.9	5.2
Finance and business services	11.6	12.7	5.8	5.5	71.2	2.9	2.9	1.9	2.7
Non-market-related services	15.5	21.1	6.7	2.8	4.7	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	1.5	13.0	– 3.3	23.6	12.8	22.1	29.5	– 1.8	4.7
Industry excluding construction	– 6.9	5.0	12.1	4.8	9.2	8.3	7.8	10.6	13.9
of which: manufacturing	– 6.1	7.2	13.1	5.3	9.8	:	:	:	:
Construction	– 6.2	9.8	– 3.1	3.9	– 8.8	– 6.0	– 3.5	1.1	5.0
Trade, transport and communication	8.3	– 3.6	7.8	5.3	12.9	7.9	9.7	6.6	5.8
Finance and business services	8.7	– 10.3	2.9	4.7	49.4	2.4	1.1	2.0	– 2.6
Non-market-related services	2.1	– 0.1	– 0.6	0.0	– 9.2	– 1.9	0.3	2.8	3.9
Market-related sectors	1.4	0.3	6.6	5.9	12.9	7.2	7.6	6.0	7.3

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Denmark

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	5 322	5 339	5 359	5 379	*5 396*	0.3	%
2. Population (working age: 15-64)		3 545	3 538	3 548	3 559	*3 566*	0.2	%
as % of total population		66.6	66.3	66.2	66.2	*66.1*	– 0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	2 832	2 815	2 820	2 853	*2 846*	– 0.2	%
Male		1 502	1 493	1 503	1 511	*1 504*	– 0.4	%
Female		1 330	1 322	1 317	1 342	*1 341*	0.0	%
4. Activity rate (as % of population 15-64)		79.9	79.6	79.5	80.1	*79.8*	– 0.3	p.p.
Young (15-24)		68.0	68.6	65.6	67.9	*68.2*	0.3	p.p.
Prime age (25-54)		87.9	87.8	87.8	88.2	*88.1*	0.0	p.p.
Older (55-64)		60.5	60.4	63.3	63.9	*62.7*	– 1.1	p.p.
Male		83.8	83.6	83.8	84.0	*83.6*	– 0.4	p.p.
Young (15-24)		70.2	70.7	67.7	69.7	*70.0*	0.4	p.p.
Prime age (25-54)		91.4	91.9	91.7	91.5	*91.7*	0.2	p.p.
Older (55-64)		68.3	67.1	70.5	71.2	*68.7*	– 2.5	p.p.
Female		75.9	75.4	75.1	76.2	*75.9*	– 0.2	p.p.
Young (15-24)		65.8	66.4	63.5	66.0	*66.3*	0.3	p.p.
Prime age (25-54)		84.4	83.7	83.7	84.7	*84.5*	– 0.3	p.p.
Older (55-64)		51.9	53.0	55.9	56.5	*56.8*	0.3	p.p.
5. Employment rate (as % of population 15-64)		76.2	75.9	75.1	75.7	*75.9*	0.2	p.p.
Young (15-24)		62.3	63.5	59.5	62.3	*62.3*	0.0	p.p.
Prime age (25-54)		84.4	84.1	83.5	83.7	*84.5*	0.8	p.p.
Older (55-64)		57.9	57.8	60.1	60.3	*59.5*	– 0.8	p.p.
Male		80.3	80.0	79.6	79.7	*79.8*	0.1	p.p.
Young (15-24)		64.6	65.5	61.6	63.5	*63.9*	0.4	p.p.
Prime age (25-54)		88.2	88.3	87.9	87.6	*88.4*	0.8	p.p.
Older (55-64)		65.5	64.5	67.3	67.3	*65.5*	– 1.8	p.p.
Female		72.0	71.7	70.5	71.6	*71.9*	0.3	p.p.
Young (15-24)		60.0	61.4	57.6	61.0	*60.5*	– 0.5	p.p.
Prime age (25-54)		80.6	79.9	79.0	79.8	*80.6*	0.8	p.p.
Older (55-64)		49.7	50.4	52.9	53.2	*53.5*	0.3	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		2 700	2 685	2 666	2 694	*2 706*	13	Th.
Male (as % of total)		53.3	53.2	53.6	53.2	*53.1*	– 0.1	p.p.
Female (as % of total)		46.7	46.8	46.4	46.8	*46.9*	0.1	p.p.
7. Employment growth (%) (national accounts)		0.8	– 0.1	– 1.2	0.0	*0.6*		p.p.
Employment growth (%) (LFS, age 15-64)		**0.2**	**– 0.6**	**– 0.7**	**1.1**	***0.5***		p.p.
Male		**– 0.1**	**– 0.7**	**0.0**	**0.2**	***0.3***		p.p.
Female		**0.7**	**– 0.5**	**– 1.5**	**2.0**	***0.7***		p.p.
8. Self employed (% of total employment)		4.0	3.9	4.0	4.1	*4.0*	– 0.1	p.p.
Male		5.7	5.4	5.4	5.8	*5.3*	– 0.5	p.p.
Female		2.1	2.1	2.3	2.3	*2.6*	0.4	p.p.
9. Temporary employment (as % total)		9.1	9.1	9.2	9.4	*9.8*	0.4	p.p.
Male		7.7	7.8	8.1	8.6	*8.4*	– 0.3	p.p.
Female		10.7	10.3	10.4	10.3	*11.3*	1.0	p.p.
10. Part-time (as % of total employment)		19.6	19.4	20.7	21.5	*21.5*	– 0.1	p.p.
Male		9.4	10.2	10.8	11.2	*11.7*	0.5	p.p.
Female		31.2	29.8	32.1	33.3	*32.4*	– 0.8	p.p.
11. Unemployment rate (harmonised: 15-74)		4.5	4.6	5.4	5.5	*4.8*	– 0.7	p.p.
Young (15-24)		8.5	7.4	9.3	8.3	*8.7*	0.4	p.p.
Prime age (25-54)		4.0	4.2	4.9	5.0	*4.1*	– 0.9	p.p.
Older (55-64)		4.2	4.3	5.0	5.5	*5.1*	– 0.4	p.p.
Male		4.1	4.3	4.8	5.1	*4.4*	– 0.7	p.p.
Young (15-24)		7.9	7.3	9.1	8.8	*8.8*	– 0.1	p.p.
Prime age (25-54)		3.5	3.8	4.2	4.3	*3.7*	– 0.6	p.p.
Older (55-64)		4.2	3.8	4.4	5.5	*4.7*	– 0.8	p.p.
Female		5.0	5.0	6.1	6.0	*5.3*	– 0.7	p.p.
Young (15-24)		8.8	7.6	9.3	7.6	*8.8*	1.2	p.p.
Prime age (25-54)		4.5	4.5	5.7	5.9	*4.5*	– 1.3	p.p.
Older (55-64)		4.1	4.9	5.4	5.9	*5.9*	– 0.1	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		19.7	19.2	20.4	21.6	*23.5*	1.9	p.p.
13. Worked hours (average actual weekly hours)		35.6	35.3	35.0	34.7	*35.1*	1.2	%
Male		38.3	37.9	37.8	37.6	*37.9*	0.9	%
Female		32.3	32.2	31.7	31.3	*31.7*	1.4	%
14. Sectoral employment growth								
Agriculture		– 3.2	0.0	– 4.3	– 1.1	*– 1.1*		p.p.
Building and construction		– 0.6	– 1.8	– 1.2	0.6	*4.9*		p.p.
Services		1.3	0.6	– 0.5	0.7	*0.9*		p.p.
Manufacturing industry		– 0.2	– 2.7	– 4.1	– 2.6	*– 1.6*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Denmark

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.4	3.8	3.8	2.1	3.7	4.1	4.8	2.9	3.6
Compensation of employees per hour worked	4.1	4.0	4.2	3.1	2.8	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	4.5	3.8	3.6	3.3	2.8	3.3	2.8	2.3	2.9
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	4.5	3.2	1.8	0.3	1.2	4.0	1.1	– 1.0	1.0
Real unit labour costs deflated by GDP deflator	1.9	0.9	– 0.1	– 1.9	– 1.4	1.5	– 2.6	– 3.7	– 0.3
Wages and salaries	3.7	1.6	3.1	2.0	4.6	4.6	5.6	3.3	5.0
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wages share (% of GDP at current market prices)	67.1	67.8	67.6	66.6	66.0	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	12.3	12.6	13.4	13.0	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	87.7	87.4	86.6	87.0	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	70.5	70.3	69.8	70.6	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	9.4	10.0	10.6	10.2	:	:	:	:	:
Other indirect costs (as % of total labour costs)	3.0	2.6	2.8	2.8	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	– 0.1	0.5	1.9	1.8	2.4	0.1	3.6	4.0	2.6
Hourly labour productivity	– 0.6	0.9	2.2	2.6	1.5	:	:	:	:
GDP	0.7	0.5	0.7	1.9	3.1	0.1	4.2	4.5	3.3
ECFIN NAIRU estimate	5.0	4.8	4.7	4.5	4.2	:	:	:	:
Output gap (%)	1.1	– 0.4	– 1.6	– 1.7	– 0.8	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	2.3	2.5	2.2	0.9	1.0	0.6	1.1	1.2	1.2
GDP deflator	2.5	2.3	1.9	2.2	2.6	2.5	3.8	2.8	1.3
Sectoral breakdown of unit labour costs									
Agriculture and fishery	– 3.1	7.2	– 3.0	1.3	0.6	0.8	0.0	– 1.5	9.2
Industry excluding construction	4.2	2.9	3.0	1.4	1.5	9.8	1.9	– 4.2	0.5
of which: manufacturing	4.6	3.6	3.9	2.1	1.8	:	:	:	:
Construction	8.8	2.6	– 0.9	– 4.2	6.4	8.9	10.0	3.8	3.4
Trade, transport and communication	2.6	2.4	0.5	– 0.1	– 3.4	– 0.4	– 2.4	– 6.1	– 3.7
Finance and business services	7.5	6.7	1.5	– 0.6	4.3	5.8	4.0	2.5	5.1
Non-market-related services	4.9	3.4	2.9	2.7	2.4	3.9	2.3	:	:
Market-related sectors	4.0	3.2	1.2	– 0.1	1.3	4.8	1.6	– 2.2	1.0
Sectoral breakdown of compensation per employee									
Total industries	4.5	4.1	3.8	2.0	3.4	0.0	0.0	0.0	0.0
Agriculture and fishery	3.9	3.2	1.8	1.8	3.5	2.9	6.5	3.0	4.6
Industry excluding construction	4.6	3.5	4.5	2.3	3.5	3.9	6.4	2.5	3.2
of which: manufacturing	4.9	3.3	4.4	2.2	3.8	:	:	:	:
Construction	2.1	3.4	2.0	1.5	4.4	5.2	6.9	2.2	3.4
Trade, transport and communication	3.3	3.8	2.5	0.8	2.9	3.1	5.0	2.1	2.3
Finance and business services	5.4	6.6	3.2	0.5	3.2	3.7	3.4	3.2	2.8
Non-market-related services	4.8	3.6	4.7	3.5	3.3	4.0	2.7	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	7.2	– 3.7	5.0	0.5	2.9	2.0	6.5	4.6	– 4.2
Industry excluding construction	0.4	0.5	1.5	0.8	2.0	– 5.3	4.4	6.9	2.7
of which: manufacturing	0.3	– 0.2	0.5	0.1	2.0	:	:	:	:
Construction	– 6.2	0.8	3.0	5.9	– 1.8	– 3.4	– 2.7	– 1.5	0.0
Trade, transport and communication	0.7	1.4	2.0	0.9	6.5	3.5	7.6	8.7	6.2
Finance and business services	– 2.0	– 0.1	1.7	1.0	– 1.1	– 2.0	– 0.6	0.6	– 2.1
Non-market-related services	– 0.1	0.2	1.7	0.8	0.9	0.1	0.5	1.3	1.9
Market-related sectors	0.2	0.8	2.1	1.3	2.3	– 1.0	3.5	4.8	1.9

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Germany

	2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total) **1 000 pers.**	81 284	81 535	81 596	81 563	*81 529*	0.0	%
2. Population (working age: 15-64)	54 998	54 870	54 695	54 501	*54 765*	0.5	%
as % of total population	67.7	67.3	67.0	66.8	*67.2*	0.4	p.p.
3. Labour force (15-64) **1 000 pers.**	39 221	39 229	39 414	39 280	*40 409*	2.9	%
Male	21 850	21 770	21 770	21 701	*22 202*	2.3	%
Female	17 371	17 459	17 644	17 579	*18 206*	3.6	%
4. Activity rate (as % of population 15-64)	71.3	71.5	72.1	72.1	*73.8*	1.7	p.p.
Young (15-24)	50.4	50.0	49.5	47.5	*49.7*	2.3	p.p.
Prime age (25-54)	85.6	85.7	86.1	85.9	*86.4*	0.5	p.p.
Older (55-64)	42.8	43.2	45.1	47.5	*52.0*	4.5	p.p.
Male	78.8	78.7	79.0	79.0	*80.6*	1.6	p.p.
Young (15-24)	53.4	52.7	52.2	50.5	*52.5*	2.0	p.p.
Prime age (25-54)	93.5	93.3	93.2	92.9	*93.6*	0.7	p.p.
Older (55-64)	52.0	52.7	54.5	57.2	*61.2*	4.0	p.p.
Female	63.7	64.2	65.0	65.1	*66.9*	1.9	p.p.
Young (15-24)	47.3	47.3	46.7	44.4	*46.8*	2.4	p.p.
Prime age (25-54)	77.5	78.0	78.8	78.8	*79.0*	0.3	p.p.
Older (55-64)	33.6	33.8	35.8	37.9	*43.1*	5.2	p.p.
5. Employment rate (as % of population 15-64)	65.7	65.4	64.9	64.3	*65.4*	1.2	p.p.
Young (15-24)	46.5	45.4	44.0	41.3	*42.0*	0.7	p.p.
Prime age (25-54)	79.4	78.8	78.1	77.2	*77.4*	0.2	p.p.
Older (55-64)	37.7	38.4	39.4	41.4	*45.4*	4.0	p.p.
Male	72.6	71.8	70.9	70.0	*71.2*	1.3	p.p.
Young (15-24)	48.6	46.9	45.0	42.7	*43.7*	1.0	p.p.
Prime age (25-54)	86.9	85.7	84.4	83.1	*83.7*	0.6	p.p.
Older (55-64)	46.1	47.1	47.7	49.8	*53.5*	3.7	p.p.
Female	58.7	58.8	58.9	58.5	*59.6*	1.1	p.p.
Young (15-24)	44.3	43.8	43.0	39.8	*40.2*	0.4	p.p.
Prime age (25-54)	71.7	71.8	71.6	71.1	*71.0*	– 0.1	p.p.
Older (55-64)	29.3	29.8	31.2	33.1	*37.5*	4.4	p.p.
6. Employed persons (age 15-64, 1 000 pers.)	36 145	35 869	35 523	35 022	*35 837*	815	Th.
Male (as % of total)	55.7	55.4	55.0	54.9	*54.8*	– 0.1	p.p.
Female (as % of total)	44.3	44.6	45.0	45.1	*45.2*	0.1	p.p.
7. Employment growth (%) (national accounts)	0.4	– 0.6	– 1.0	0.4	*– 0.2*		p.p.
Employment growth (%) (LFS, age 15-64)	**0.5**	**– 0.8**	**– 1.0**	**– 1.4**	***2.3***		p.p.
Male	**– 0.3**	**– 1.4**	**– 1.6**	**– 1.5**	***2.1***		p.p.
Female	**1.4**	**0.0**	**– 0.1**	**– 1.3**	***2.6***		p.p.
8. Self employed (% of total employment)	4.8	4.8	5.2	5.5	*6.1*	0.5	p.p.
Male	5.6	5.8	6.2	6.7	*7.2*	0.5	p.p.
Female	3.6	3.7	3.9	4.1	*4.7*	0.6	p.p.
9. Temporary employment (as % total)	12.4	12.0	12.2	12.5	*14.3*	1.8	p.p.
Male	12.2	11.8	12.2	12.7	*14.5*	1.8	p.p.
Female	12.7	12.3	12.3	12.2	*14.1*	1.9	p.p.
10. Part-time (as % of total employment)	19.9	20.3	21.2	21.9	*23.4*	1.6	p.p.
Male	4.7	5.2	5.5	5.9	*6.9*	1.0	p.p.
Female	39.0	39.2	40.4	41.3	*43.4*	2.1	p.p.
11. Unemployment rate (harmonised: 15-74)	7.4	8.2	9.0	9.5	*9.5*	0.0	p.p.
Young (15-24)	7.8	9.3	11.0	13.0	*15.5*	2.5	p.p.
Prime age (25-54)	7.2	8.0	9.3	10.2	*10.4*	0.2	p.p.
Older (55-64)	12.0	11.2	12.6	12.8	*12.8*	0.0	p.p.
Male	6.3	7.1	8.2	8.7	*8.9*	0.2	p.p.
Young (15-24)	9.0	11.1	13.7	15.4	*16.8*	1.4	p.p.
Prime age (25-54)	7.1	8.1	9.4	10.5	*10.6*	0.0	p.p.
Older (55-64)	11.4	10.6	12.4	12.9	*12.6*	– 0.3	p.p.
Female	8.9	9.4	10.1	10.5	*10.3*	– 0.2	p.p.
Young (15-24)	6.4	7.3	8.1	10.2	*14.0*	3.8	p.p.
Prime age (25-54)	7.4	7.9	9.1	9.8	*10.2*	0.4	p.p.
Older (55-64)	12.8	12.1	13.0	12.6	*13.0*	0.3	p.p.
12. Long-term unemployment rate							
(as % of total unemployment)	50.4	47.9	50.0	51.8	*53.1*	1.3	p.p.
13. Worked hours (average actual weekly hours)	37.8	37.4	36.9	36.9	*36.9*	– 0.1	%
Male	42.3	41.9	41.4	41.5	*41.6*	0.2	%
Female	31.9	31.7	31.2	31.2	*30.9*	– 0.9	%
14. Sectoral employment growth							
Agriculture	– 1.2	– 2.2	– 2.7	– 0.9	*– 2.3*		p.p.
Building and construction	– 6.2	– 6.1	– 4.8	– 3.1	*– 4.7*		p.p.
Services	1.3	0.5	– 0.1	1.3	*0.6*		p.p.
Manufacturing industry	0.4	– 2.2	– 2.6	– 1.5	*– 1.5*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Germany

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	1.6	1.4	1.5	0.3	0.2	0.1	0.4	0.4	0.1
Compensation of employees per hour worked	2.4	2.2	1.6	– 0.5	0.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.5	2.1	2.5	1.1	0.8	1.0	0.7	1.0	0.6
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	0.8	0.8	0.7	– 1.0	– 0.9	0.6	– 1.6	– 1.4	– 1.4
Real unit labour costs deflated by GDP deflator	– 0.4	– 0.7	– 0.4	– 1.7	– 1.4	– 0.2	– 2.0	– 1.7	– 1.8
Wages and salaries	1.5	– 0.3	– 0.1	0.1	– 0.9	– 0.4	– 0.8	– 1.0	– 1.4
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	65.9	65.4	65.4	64.2	63.4	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	22.8	22.7	22.7	22.5	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	77.2	77.3	77.3	77.5	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	64.2	64.2	64.3	65.5	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	22.2	22.1	22.0	21.8	:	:	:	:	:
Other indirect costs (as % of total labour costs)	0.7	0.7	0.7	0.7	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.8	0.6	0.8	1.3	1.2	– 0.5	2.1	1.9	1.5
Hourly labour productivity	1.8	1.5	1.2	0.9	1.6	:	:	:	:
GDP	1.2	0.1	– 0.2	1.6	1.0	– 0.5	1.8	1.5	1.1
ECFIN NAIRU estimate	8.1	8.3	8.4	8.6	8.7	:	:	:	:
Output gap (%)	1.0	– 0.1	– 1.2	– 0.4	– 0.6	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	1.2	1.6	0.9	1.6	1.0	1.3	0.9	0.9	1.1
GDP deflator	1.2	1.5	1.0	0.8	0.5	0.8	0.4	0.2	0.5
Sectoral breakdown of unit labour costs									
Agriculture and fishery	– 4.9	5.6	– 4.6	– 13.8	2.6	4.2	1.0	1.2	4.2
Industry excluding construction	0.9	0.8	– 1.5	– 3.7	– 3.2	– 1.0	– 4.3	– 2.9	– 4.2
of which: manufacturing	0.5	1.3	– 1.6	– 3.9	– 7.3	:	:	:	:
Construction	1.0	– 0.3	1.6	– 1.3	– 1.4	6.9	– 3.8	– 3.7	– 3.2
Trade, transport and communication	– 0.7	– 0.2	1.5	– 2.1	– 1.5	– 0.3	– 2.2	– 1.9	– 1.3
Finance and business services	1.6	1.5	2.0	1.1	0.8	0.9	1.0	0.7	0.8
Non-market-related services	1.6	0.8	1.7	0.5	0.4	1.2	0.0	– 0.4	:
Market-related sectors	0.2	0.2	0.2	– 2.0	– 1.5	– 0.1	– 2.2	– 1.7	– 1.9
Sectoral breakdown of compensation per employee									
Total industries	1.6	1.4	1.5	0.3	0.2	0.0	0.0	0.0	0.0
Agriculture and fishery	– 0.2	1.3	0.0	– 2.2	– 0.2	– 0.6	– 0.5	– 0.1	0.9
Industry excluding construction	1.9	1.5	2.2	2.1	1.2	0.8	1.4	1.8	0.8
of which: manufacturing	1.8	1.7	2.1	2.0	1.7	:	:	:	:
Construction	1.6	1.8	1.9	0.3	– 0.4	– 1.4	– 0.1	– 0.3	0.0
Trade, transport and communication	1.6	1.0	1.4	– 1.0	0.7	0.5	1.0	1.0	0.8
Finance and business services	1.5	1.7	1.4	0.0	0.9	0.5	1.3	1.1	0.9
Non-market-related services	1.1	1.7	1.1	0.1	– 1.2	– 0.6	– 1.3	– 2.0	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	5.0	– 4.0	4.8	13.5	– 2.7	– 4.6	– 1.5	– 1.3	– 3.1
Industry excluding construction	1.0	0.6	3.7	6.0	4.5	1.8	6.0	4.8	5.2
of which: manufacturing	1.3	0.4	3.8	6.2	9.7	:	:	:	:
Construction	0.6	2.1	0.3	1.6	1.0	– 7.8	3.9	3.5	3.3
Trade, transport and communication	2.2	1.3	– 0.1	1.1	2.2	0.7	3.2	3.0	2.1
Finance and business services	– 0.1	0.2	– 0.6	– 1.1	0.1	– 0.4	0.3	0.4	0.1
Non-market-related services	– 0.5	0.9	– 0.6	– 0.4	– 1.6	– 1.7	– 1.2	– 1.7	– 1.9
Market-related sectors	1.6	1.1	1.5	2.4	2.4	0.6	3.4	2.9	2.7

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Estonia

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	1 361	1 356	1 350	1 349	*1 343*	– 0.4	%
2. Population (working age: 15-64)		916	913	911	910	*910*	0.0	%
as % of total population		67.3	67.3	67.5	67.4	*67.7*	0.3	p.p.
3. Labour force (15-64)	**1 000 pers.**	641	632	639	636	*638*	0.3	%
Male		328	325	326	322	*319*	– 0.9	%
Female		313	307	313	314	*319*	1.4	%
4. Activity rate (as % of population 15-64)		70.0	69.3	70.1	70.0	*70.1*	0.2	p.p.
Young (15-24)		36.5	34.2	37.1	34.8	*34.8*	– 0.1	p.p.
Prime age (25-54)		86.3	85.4	85.7	86.5	*86.1*	– 0.4	p.p.
Older (55-64)		53.0	55.9	56.2	55.6	*58.9*	3.3	p.p.
Male		74.8	74.7	75.0	74.4	*73.6*	– 0.8	p.p.
Young (15-24)		42.1	40.2	43.2	41.4	*39.7*	– 1.7	p.p.
Prime age (25-54)		90.2	90.1	89.6	90.1	*89.2*	– 0.9	p.p.
Older (55-64)		62.2	64.1	64.5	60.9	*62.9*	2.0	p.p.
Female		65.5	64.3	65.7	65.9	*66.9*	0.9	p.p.
Young (15-24)		30.1	28.0	30.8	27.8	*29.8*	2.1	p.p.
Prime age (25-54)		82.8	80.9	82.1	83.2	*83.3*	0.0	p.p.
Older (55-64)		45.8	49.9	50.3	51.6	*55.9*	4.3	p.p.
5. Employment rate (as % of population 15-64)		61.0	62.0	62.9	63.1	*64.5*	1.4	p.p.
Young (15-24)		28.0	28.1	29.2	27.1	*29.1*	2.0	p.p.
Prime age (25-54)		76.0	76.8	77.8	78.8	*79.5*	0.7	p.p.
Older (55-64)		48.5	51.6	52.3	52.4	*56.2*	3.8	p.p.
Male		65.0	66.5	67.3	66.4	*67.0*	0.6	p.p.
Young (15-24)		33.9	34.5	35.9	32.8	*33.1*	0.3	p.p.
Prime age (25-54)		78.7	80.2	81.0	81.6	*81.9*	0.3	p.p.
Older (55-64)		57.0	58.3	58.6	56.3	*59.4*	3.1	p.p.
Female		57.4	57.9	59.0	59.9	*62.0*	2.0	p.p.
Young (15-24)		21.8	21.5	22.6	21.8	*25.1*	3.4	p.p.
Prime age (25-54)		73.5	73.5	74.9	76.3	*77.4*	1.1	p.p.
Older (55-64)		42.4	46.7	47.4	49.6	*53.6*	4.0	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		559	566	573	574	*587*	13	Th.
Male (as % of total)		51.0	51.1	51.0	50.2	*49.6*	– 0.6	p.p.
Female (as % of total)		49.1	48.9	49.0	49.8	*50.3*	0.6	p.p.
7. Employment growth (%) (national accounts)		0.8	1.3	1.5	0.0	*2.0*		p.p.
Employment growth (%) (LFS, age 15-64)		**0.9**	**1.2**	**1.3**	**0.1**	***2.3***		p.p.
Male		**1.2**	**1.4**	**1.1**	**– 1.6**	***1.0***		p.p.
Female		**0.6**	**0.8**	**1.5**	**1.7**	***3.4***		p.p.
8. Self employed (% of total employment)		4.7	4.7	5.6	6.0	*5.0*	– 0.9	p.p.
Male		6.4	6.2	7.4	7.7	*6.9*	– 0.9	p.p.
Female		2.8	3.1	3.8	4.3	*3.4*	– 0.9	p.p.
9. Temporary employment (as % total)		2.5	2.7	2.5	2.6	*2.7*	0.1	p.p.
Male		3.3	4.0	3.3	3.5	*3.9*	0.4	p.p.
Female		2.2	2.1	2.5	2.2	*2.2*	0.1	p.p.
10. Part-time (as % of total employment)		7.3	6.9	7.3	6.9	*6.6*	– 0.2	p.p.
Male		4.8	4.6	5.0	4.8	*4.1*	– 0.7	p.p.
Female		10.0	9.2	9.7	9.1	*9.0*	– 0.1	p.p.
11. Unemployment rate (harmonised: 15-74)		12.4	10.3	10.0	9.7	*7.9*	– 1.8	p.p.
Young (15-24)		23.3	17.9	21.1	22.1	*16.2*	– 5.9	p.p.
Prime age (25-54)		11.9	10.1	9.3	8.8	*7.6*	– 1.3	p.p.
Older (55-64)		8.6	7.7	6.9	5.7	*4.6*	– 1.1	p.p.
Male		12.6	10.8	10.2	10.4	*8.8*	– 1.6	p.p.
Young (15-24)		19.4	14.2	17.0	20.8	*16.6*	– 4.3	p.p.
Prime age (25-54)		12.7	10.9	9.5	9.4	*8.2*	– 1.3	p.p.
Older (55-64)		8.3	9.0	9.1	7.7	*5.7*	– 2.0	p.p.
Female		12.2	9.7	9.9	8.9	*7.1*	– 1.8	p.p.
Young (15-24)		27.6	23.4	26.8	21.6	*15.7*	– 5.9	p.p.
Prime age (25-54)		11.2	9.1	8.8	8.4	*7.0*	– 1.3	p.p.
Older (55-64)		7.5	6.4	5.8	4.0	*4.2*	0.2	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		48.0	51.9	46.3	52.5	*53.5*	1.1	p.p.
13. Worked hours (average actual weekly hours)		40.2	40.1	39.7	39.8	*39.9*	0.3	%
Male		41.7	41.4	41.3	41.3	*41.3*	0.0	%
Female		38.6	38.6	38.0	38.2	*38.5*	0.7	%
14. Sectoral employment growth								
Agriculture		– 3.0	1.8	– 9.7	– 5.3	*– 7.0*		p.p.
Building and construction		– 1.5	– 1.0	10.2	7.8	*2.6*		p.p.
Services		1.9	4.1	0.8	– 3.4	*4.6*		p.p.
Manufacturing industry		3.6	– 4.3	4.5	5.0	*– 1.3*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Estonia

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	7.8	10.4	10.3	11.1	11.7	9.8	9.9	12.6	15.1
Compensation of employees per hour worked	9.2	10.2	9.3	9.5	13.2	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	12.7	12.6	9.1	6.5	10.7	9.3	10.7	9.0	13.9
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	2.1	4.2	4.9	3.0	3.7	3.3	2.4	4.1	5.8
Real unit labour costs deflated by GDP deflator	– 3.3	– 0.1	2.8	0.0	– 2.3	– 0.4	– 3.3	– 3.8	– 0.8
Wages and salaries	1.3	9.1	6.5	12.6	14.5	16.4	12.6	12.7	16.3
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	56.9	57.0	58.6	58.1	57.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	26.9	27.2	26.9	26.7	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	73.1	72.8	73.1	73.3	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	25.5	25.8	25.4	25.3	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.4	1.5	1.5	1.4	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	5.6	5.9	5.2	7.8	7.7	6.3	7.3	8.1	8.8
Hourly labour productivity	6.0	5.6	5.1	7.2	7.1	:	:	:	:
GDP	6.5	7.2	6.7	7.8	9.8	7.2	9.9	10.6	11.1
ECFIN NAIRU estimate	11.0	11.1	10.5	9.7	8.7	:	:	:	:
Output gap (%)	– 0.9	– 0.5	– 1.1	– 0.9	0.4	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	4.6	2.6	1.8	2.5	2.6	3.2	2.4	2.3	2.5
GDP deflator	5.6	4.4	2.1	3.1	6.2	3.7	5.9	8.2	6.6
Sectoral breakdown of unit labour costs									
Agriculture and fishery	14.2	5.9	– 0.2	11.3	4.3	22.8	– 4.2	– 10.0	5.9
Industry excluding construction	1.4	2.3	1.9	0.6	0.5	– 2.1	1.9	1.1	1.0
of which: manufacturing	3.6	3.9	1.3	0.6	– 0.1	– 0.8	1.9	– 0.2	– 0.5
Construction	9.9	– 13.3	15.4	7.5	10.6	10.5	– 0.6	7.2	10.7
Trade, transport and communication	– 4.6	0.7	2.6	0.7	2.8	0.9	1.8	3.9	5.7
Finance and business services	11.5	12.7	9.7	4.6	5.6	7.6	4.0	5.2	14.6
Non-market-related services	3.6	9.0	11.5	8.2	6.6	6.6	3.4	:	:
Market-related sectors	2.6	3.0	3.9	2.1	3.8	2.8	2.8	3.4	5.4
Sectoral breakdown of compensation per employee									
Total industries	8.0	10.3	10.3	11.1	11.6	0.0	0.0	0.0	0.0
Agriculture and fishery	13.1	2.7	7.3	19.8	8.4	11.8	– 18.1	1.5	43.7
Industry excluding construction	10.1	21.0	7.9	2.4	13.7	7.0	16.6	17.2	14.9
of which: manufacturing	10.5	23.7	7.1	6.0	13.5	11.0	13.6	17.3	12.6
Construction	14.8	7.2	11.0	10.9	20.2	23.6	7.5	23.1	14.5
Trade, transport and communication	4.1	3.5	14.8	11.8	8.1	3.1	6.0	12.1	11.3
Finance and business services	27.1	0.8	15.8	28.9	5.6	2.6	12.9	– 4.3	16.8
Non-market-related services	– 0.2	10.2	7.7	12.0	10.1	16.5	6.6	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 1.0	– 3.0	7.5	7.6	3.9	– 9.0	– 14.5	12.8	35.7
Industry excluding construction	8.6	18.3	5.9	1.8	13.1	9.3	14.4	15.9	13.7
of which: manufacturing	6.7	19.1	5.7	5.4	13.6	11.8	11.5	17.6	13.2
Construction	4.5	23.7	– 3.8	3.2	8.7	11.9	8.2	14.8	3.4
Trade, transport and communication	9.1	2.8	11.9	11.0	5.1	2.1	4.2	7.8	5.3
Finance and business services	14.0	– 10.6	5.6	23.2	0.0	– 4.7	8.6	– 9.0	1.9
Non-market-related services	– 3.7	1.2	– 3.3	3.5	3.4	9.3	3.2	1.8	0.6
Market-related sectors	8.1	7.2	7.1	8.4	8.1	4.5	7.9	10.0	10.2

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Greece

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	10 504	10 542	10 578	10 616	*10 657*	0.4	%
2. Population (working age: 15-64)		7 100	7 111	7 119	7 129	*7 132*	0.0	%
as % of total population		67.6	67.5	67.3	67.2	*66.9*	– 0.2	p.p.
3. Labour force (15-64)	**1 000 pers.**	4 492	4 566	4 640	4 740	*4 763*	0.5	%
Male		2 714	2 739	2 771	2 801	*2 811*	0.3	%
Female		1 778	1 827	1 870	1 939	*1 952*	0.7	%
4. Activity rate (as % of population 15-64)		63.3	64.2	65.2	66.5	*66.8*	0.3	p.p.
Young (15-24)		36.5	36.2	34.7	36.7	*33.7*	– 3.0	p.p.
Prime age (25-54)		77.8	78.8	79.8	81.1	*81.5*	0.3	p.p.
Older (55-64)		39.9	40.9	42.7	41.2	*43.2*	2.0	p.p.
Male		77.1	77.6	78.3	79.0	*79.2*	0.1	p.p.
Young (15-24)		39.2	39.3	38.0	40.0	*37.0*	– 3.0	p.p.
Prime age (25-54)		94.1	94.1	94.3	94.6	*94.6*	0.0	p.p.
Older (55-64)		57.8	58.2	60.5	58.9	*60.8*	1.9	p.p.
Female		49.7	51.0	52.2	54.1	*54.5*	0.4	p.p.
Young (15-24)		33.8	33.1	31.2	33.5	*30.5*	– 3.0	p.p.
Prime age (25-54)		61.6	63.4	65.2	67.5	*68.2*	0.7	p.p.
Older (55-64)		23.9	25.2	26.4	25.2	*27.1*	1.9	p.p.
5. Employment rate (as % of population 15-64)		56.3	57.5	58.7	59.4	*60.1*	0.7	p.p.
Young (15-24)		26.3	26.5	25.3	26.8	*25.0*	– 1.9	p.p.
Prime age (25-54)		70.6	71.6	72.9	73.5	*74.0*	0.6	p.p.
Older (55-64)		38.3	39.2	41.3	39.5	*41.6*	2.1	p.p.
Male		71.4	72.3	73.4	73.7	*74.2*	0.5	p.p.
Young (15-24)		30.7	31.4	30.9	32.4	*30.1*	– 2.3	p.p.
Prime age (25-54)		88.5	88.7	89.2	89.3	*89.5*	0.2	p.p.
Older (55-64)		55.3	55.9	58.7	56.4	*58.7*	2.4	p.p.
Female		41.5	42.9	44.3	45.2	*46.1*	0.9	p.p.
Young (15-24)		21.7	21.4	19.7	21.3	*19.8*	– 1.4	p.p.
Prime age (25-54)		52.8	54.5	56.4	57.5	*58.4*	0.9	p.p.
Older (55-64)		22.8	24.0	25.6	24.0	*25.9*	1.9	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		3 999	4 087	4 182	4 235	*4 287*	52	Th.
Male (as % of total)		62.9	62.4	62.1	61.7	*61.5*	– 0.2	p.p.
Female (as % of total)		37.1	37.6	37.9	38.3	*38.5*	0.2	p.p.
7. Employment growth (%) (national accounts)		– 0.3	0.1	1.3	2.9	*1.4*		p.p.
Employment growth (%) (LFS, age 15-64)		**0.1**	**2.2**	**2.3**	**1.3**	***1.2***		p.p.
Male		**0.2**	**1.4**	**1.8**	**0.7**	***0.9***		p.p.
Female		**– 0.2**	**3.5**	**3.2**	**2.2**	***1.8***		p.p.
8. Self employed (% of total employment)		22.5	23.0	23.0	21.7	*21.5*	– 0.2	p.p.
Male		25.8	26.1	26.2	24.9	*24.6*	– 0.3	p.p.
Female		17.0	17.9	17.8	16.6	*16.6*	0.0	p.p.
9. Temporary employment (as % total)		13.2	11.7	11.2	12.0	*11.9*	– 0.1	p.p.
Male		11.6	10.5	9.7	10.5	*10.1*	– 0.4	p.p.
Female		15.7	13.6	13.3	14.1	*14.3*	0.2	p.p.
10. Part-time (as % of total employment)		3.8	4.2	4.0	4.4	*4.8*	0.4	p.p.
Male		2.0	2.0	1.9	2.0	*2.1*	0.1	p.p.
Female		6.9	7.8	7.5	8.2	*9.0*	0.8	p.p.
11. Unemployment rate (harmonised: 15-74)		10.8	10.3	9.7	10.5	*9.8*	– 0.7	p.p.
Young (15-24)		28.2	26.9	26.9	26.9	*26.0*	– 0.9	p.p.
Prime age (25-54)		9.3	9.1	8.7	9.5	*9.1*	– 0.3	p.p.
Older (55-64)		4.1	4.1	3.2	4.3	*3.8*	– 0.5	p.p.
Male		7.3	6.8	6.2	6.6	*6.1*	– 0.5	p.p.
Young (15-24)		21.7	20.0	18.8	19.2	*18.8*	– 0.4	p.p.
Prime age (25-54)		5.9	5.8	5.4	5.6	*5.4*	– 0.2	p.p.
Older (55-64)		4.3	3.9	3.1	4.2	*3.3*	– 0.9	p.p.
Female		16.2	15.6	15.0	16.2	*15.3*	– 0.9	p.p.
Young (15-24)		35.8	35.2	36.8	36.5	*34.9*	– 1.6	p.p.
Prime age (25-54)		14.4	14.0	13.5	14.8	*14.3*	– 0.5	p.p.
Older (55-64)		4.6	4.6	3.2	4.9	*4.4*	– 0.5	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		51.5	51.4	55.0	53.2	*52.1*	– 1.1	p.p.
13. Worked hours (average actual weekly hours)		42.2	41.8	41.9	41.9	*41.9*	0.2	%
Male		43.8	43.4	43.5	43.6	*43.8*	0.3	%
Female		39.5	39.0	39.1	39.0	*38.9*	– 0.3	%
14. Sectoral employment growth								
Agriculture		– 5.0	– 3.6	– 3.0	– 2.0	*:*		p.p.
Building and construction		1.4	3.6	8.6	1.2	*:*		p.p.
Services		0.9	1.4	2.7	6.6	*:*		p.p.
Manufacturing industry		– 0.3	– 3.1	– 2.5	– 1.1	*– 1.5*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Greece

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	5.7	10.0	4.6	5.8	6.1	:	:	:	:
Compensation of employees per hour worked	7.3	8.5	5.6	10.7	5.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	6.0	7.1	2.7	8.9	:	3.3	:	:	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	0.2	6.0	1.2	4.0	3.8	:	:	:	:
Real unit labour costs deflated by GDP deflator	– 1.6	2.1	– 2.2	0.6	0.0	:	:	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	65.5	66.6	64.6	64.6	64.5	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	22.5	21.9	21.2	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	77.5	78.1	78.8	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	70.8	71.3	71.7	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	22.5	22.1	21.7	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	0.1	– 0.1	– 0.3	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	5.4	3.7	3.4	1.7	2.2	:	:	:	:
Hourly labour productivity	5.2	3.7	3.4	3.0	2.0	:	:	:	:
GDP	5.1	3.8	4.8	4.7	3.7	:	:	:	:
ECFIN NAIRU estimate	9.8	9.8	9.6	9.9	9.7	:	:	:	:
Output gap (%)	0.0	0.2	1.0	1.9	1.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	3.8	3.9	3.1	3.4	3.2	3.6	3.1	3.1	3.0
GDP deflator	1.8	3.8	3.5	3.4	3.7	:	:	:	:
Sectoral breakdown of unit labour costs									
Agriculture and fishery	10.7	12.6	7.1	8.6	14.3	:	:	:	:
Industry excluding construction	– 0.4	1.5	– 1.3	7.6	1.1	:	:	:	:
of which: manufacturing	1.6	1.4	– 0.8	9.1	3.4	:	:	:	:
Construction	– 7.9	9.9	3.5	6.4	13.8	:	:	:	:
Trade, transport and communication	– 5.0	4.1	2.7	1.8	8.3	:	:	:	:
Finance and business services	4.9	10.8	2.4	7.9	0.2	:	:	:	:
Non-market-related services	1.9	4.2	2.9	7.5	1.0	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	3.8	9.9	4.4	5.3	1.5	:	:	:	:
Agriculture and fishery	11.5	14.6	6.2	11.1	10.1	:	:	:	:
Industry excluding construction	3.2	7.5	5.0	6.6	2.4	:	:	:	:
of which: manufacturing	5.3	7.3	5.3	8.7	6.0	:	:	:	:
Construction	3.9	6.9	5.2	6.9	1.7	:	:	:	:
Trade, transport and communication	3.2	7.1	5.3	4.8	2.6	:	:	:	:
Finance and business services	2.0	10.9	2.0	4.5	0.0	:	:	:	:
Non-market-related services	3.9	11.4	4.1	2.2	5.4	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	0.7	1.8	– 0.8	2.3	– 3.7	:	:	:	:
Industry excluding construction	3.7	5.9	6.3	– 0.9	1.3	:	:	:	:
of which: manufacturing	3.6	5.8	6.2	– 0.4	2.5	:	:	:	:
Construction	12.8	– 2.8	1.7	0.5	– 10.7	:	:	:	:
Trade, transport and communication	8.6	2.8	2.5	2.9	– 5.3	:	:	:	:
Finance and business services	– 2.8	0.1	– 0.4	– 3.2	– 0.2	:	:	:	:
Non-market-related services	1.9	7.0	1.2	– 4.9	4.4	:	:	:	:
Market-related sectors	5.9	2.9	3.0	1.3	– 2.8	:	:	:	:

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Spain

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	40 427	41 063	41 753	42 440	*43 142*	1.7	%
2. Population (working age: 15-64)		27 742	28 231	28 729	29 227	*29 755*	1.8	%
as % of total population		68.6	68.8	68.8	68.9	*69.0*	0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	17 942	18 681	19 428	20 073	*20 743*	3.3	%
Male		10 905	11 225	11 558	11 834	*12 155*	2.7	%
Female		7 037	7 456	7 870	8 239	*8 588*	4.2	%
4. Activity rate (as % of population 15-64)		64.7	66.2	67.6	68.7	*69.7*	1.0	p.p.
Young (15-24)		43.1	43.7	44.5	45.2	*47.7*	2.5	p.p.
Prime age (25-54)		76.6	78.2	79.6	80.6	*80.9*	0.3	p.p.
Older (55-64)		41.9	42.7	43.8	44.4	*45.9*	1.5	p.p.
Male		78.4	79.1	79.9	80.4	*80.9*	0.6	p.p.
Young (15-24)		48.2	48.8	49.5	50.2	*52.3*	2.1	p.p.
Prime age (25-54)		91.7	92.1	92.5	92.5	*92.4*	– 0.2	p.p.
Older (55-64)		61.2	62.1	62.9	62.7	*63.2*	0.5	p.p.
Female		50.9	53.1	55.1	56.8	*58.3*	1.5	p.p.
Young (15-24)		37.7	38.5	39.2	39.8	*42.9*	3.0	p.p.
Prime age (25-54)		61.3	64.1	66.5	68.3	*69.0*	0.7	p.p.
Older (55-64)		23.7	24.4	25.7	27.2	*29.7*	2.5	p.p.
5. Employment rate (as % of population 15-64)		57.8	58.5	59.8	61.1	*63.3*	2.2	p.p.
Young (15-24)		34.0	34.0	34.4	35.2	*38.3*	3.1	p.p.
Prime age (25-54)		69.5	70.2	71.4	72.7	*74.4*	1.7	p.p.
Older (55-64)		39.2	39.6	40.7	41.3	*43.1*	1.9	p.p.
Male		72.5	72.6	73.2	73.8	*75.2*	1.4	p.p.
Young (15-24)		40.2	39.7	39.9	40.8	*43.5*	2.7	p.p.
Prime age (25-54)		85.9	85.7	85.9	86.1	*86.9*	0.8	p.p.
Older (55-64)		57.7	58.4	59.2	58.9	*59.7*	0.8	p.p.
Female		43.1	44.4	46.3	48.3	*51.2*	2.9	p.p.
Young (15-24)		27.5	28.0	28.6	29.3	*32.8*	3.5	p.p.
Prime age (25-54)		52.9	54.4	56.6	58.9	*61.5*	2.6	p.p.
Older (55-64)		21.7	22.0	23.3	24.6	*27.4*	2.8	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		16 039	16 527	17 188	17 861	*18 834*	973	Th.
Male (as % of total)		62.8	62.3	61.6	60.8	*60.0*	– 0.9	p.p.
Female (as % of total)		37.2	37.7	38.4	39.2	*40.0*	0.9	p.p.
7. Employment growth (%) (national accounts)		3.2	2.4	2.6	2.6	*3.6*		p.p.
Employment growth (%) (LFS, age 15-64)		**4.2**	**3.0**	**4.0**	**3.9**	***5.4***		p.p.
Male		**3.4**	**2.2**	**2.8**	**2.7**	***4.0***		p.p.
Female		**5.5**	**4.5**	**6.0**	**5.9**	***7.7***		p.p.
8. Self employed (% of total employment)		12.4	11.8	11.1	11.0	*11.2*	0.2	p.p.
Male		14.0	13.4	12.6	12.6	*12.8*	0.2	p.p.
Female		9.7	8.9	8.7	8.6	*8.9*	0.3	p.p.
9. Temporary employment (as % total)		32.3	31.9	31.8	32.5	*33.4*	0.9	p.p.
Male		30.7	29.9	30.0	30.6	*31.7*	1.1	p.p.
Female		34.7	34.9	34.6	35.2	*35.7*	0.5	p.p.
10. Part-time (as % of total employment)		7.9	7.9	8.1	8.7	*12.2*	3.5	p.p.
Male		2.7	2.5	2.5	2.7	*4.3*	1.6	p.p.
Female		16.7	16.8	17.0	17.9	*24.0*	6.1	p.p.
11. Unemployment rate (harmonised: 15-74)		10.3	11.1	11.1	10.7	*9.2*	– 1.5	p.p.
Young (15-24)		21.1	22.3	22.7	22.0	*19.7*	– 2.4	p.p.
Prime age (25-54)		9.3	10.3	10.3	9.8	*8.0*	– 1.8	p.p.
Older (55-64)		6.4	7.3	7.0	7.1	*6.1*	– 1.0	p.p.
Male		7.5	8.1	8.2	8.0	*7.0*	– 1.0	p.p.
Young (15-24)		16.7	18.5	19.5	18.7	*16.7*	– 2.0	p.p.
Prime age (25-54)		6.4	6.9	7.1	6.9	*5.9*	– 1.0	p.p.
Older (55-64)		5.7	6.0	5.9	6.0	*5.4*	– 0.6	p.p.
Female		14.8	15.7	15.3	14.5	*12.2*	– 2.3	p.p.
Young (15-24)		26.9	27.3	27.0	26.4	*23.4*	– 2.9	p.p.
Prime age (25-54)		13.7	15.1	14.9	13.8	*10.9*	– 2.9	p.p.
Older (55-64)		8.3	10.1	9.4	9.4	*7.5*	– 1.9	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		36.1	33.7	33.7	32.0	*24.5*	– 7.5	p.p.
13. Worked hours (average actual weekly hours)		38.7	38.5	38.4	38.2	*38.6*	1.0	%
Male		40.5	40.3	40.2	40.2	*41.3*	2.7	%
Female		35.4	35.5	35.3	35.1	*34.6*	– 1.4	%
14. Sectoral employment growth								
Agriculture		– 0.9	0.9	0.4	– 0.1	*0.7*		p.p.
Building and construction		9.4	7.2	6.0	6.1	*9.2*		p.p.
Services		3.1	2.5	3.0	3.1	*3.4*		p.p.
Manufacturing industry		1.6	– 0.7	– 0.9	– 1.0	*0.4*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Spain

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.6	3.3	3.3	3.3	2.1	0.6	3.3	2.5	3.2
Compensation of employees per hour worked	4.2	4.0	4.0	3.8	3.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.6	5.3	4.8	4.0	3.7	3.9	3.9	3.4	3.2
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	3.3	3.0	2.9	2.8	2.3	1.4	2.2	2.8	2.7
Real unit labour costs deflated by GDP deflator	– 0.9	– 1.4	– 1.0	– 1.2	– 2.1	– 2.9	– 2.1	– 1.6	– 1.7
Wages and salaries	3.8	3.9	2.7	3.4	2.5	1.7	3.1	2.1	3.2
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	64.5	63.7	63.3	62.8	61.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	26.3	26.3	26.4	26.6	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	73.7	73.7	73.6	73.4	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	24.6	25.0	25.0	24.9	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.7	1.2	1.4	1.7	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.3	0.3	0.4	0.5	– 0.1	– 0.8	1.1	– 0.3	0.5
Hourly labour productivity	0.6	0.5	0.6	0.8	0.5	:	:	:	:
GDP	3.5	2.7	3.0	3.1	3.4	2.2	4.3	3.2	3.9
ECFIN NAIRU estimate	12.0	11.4	10.7	10.0	9.3	:	:	:	:
Output gap (%)	2.3	1.3	0.4	– 0.2	– 0.5	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	2.6	3.9	3.0	2.8	2.7	2.8	2.6	2.5	2.8
GDP deflator	4.2	4.4	4.0	4.1	4.4	4.4	4.3	4.5	4.4
Sectoral breakdown of unit labour costs									
Agriculture and fishery	2.0	0.4	0.7	1.9	2.3	– 6.9	1.4	5.6	7.4
Industry excluding construction	1.9	1.6	2.4	2.3	2.0	3.5	2.4	1.1	1.0
of which: manufacturing	2.9	2.0	2.0	2.5	3.1	:	:	:	:
Construction	4.9	4.9	5.3	4.7	4.9	5.6	4.7	3.8	5.5
Trade, transport and communication	4.5	4.0	3.4	3.9	0.7	1.6	0.6	1.0	– 0.3
Finance and business services	3.3	3.2	2.1	0.7	2.2	1.8	2.2	1.5	3.3
Non-market-related services	2.7	2.9	3.7	3.1	2.9	4.0	2.9	3.9	:
Market-related sectors	3.5	3.3	3.1	2.9	2.2	2.9	2.3	1.7	2.0
Sectoral breakdown of compensation per employee									
Total industries	3.6	3.3	3.3	3.3	2.1	0.0	0.0	0.0	0.0
Agriculture and fishery	1.5	– 0.2	0.2	0.8	0.8	– 10.9	0.2	5.3	6.9
Industry excluding construction	3.2	3.3	4.2	3.9	2.5	1.8	2.9	2.2	2.9
of which: manufacturing	3.3	3.3	4.1	3.9	3.3	:	:	:	:
Construction	4.0	4.0	4.3	3.7	1.4	0.0	2.1	1.0	2.2
Trade, transport and communication	4.0	3.3	2.7	2.9	2.2	0.3	2.6	2.7	2.8
Finance and business services	3.6	2.5	2.0	2.5	2.8	2.4	4.0	2.8	1.9
Non-market-related services	3.5	4.0	4.0	4.0	2.7	2.5	2.9	3.1	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 0.4	– 0.5	– 0.5	– 1.1	– 1.4	– 4.3	– 1.2	– 0.2	– 0.5
Industry excluding construction	1.3	1.7	1.7	1.5	0.5	– 1.6	0.6	1.2	1.9
of which: manufacturing	0.5	1.3	2.1	1.3	0.2	:	:	:	:
Construction	– 0.9	– 0.9	– 0.9	– 0.9	– 3.3	– 5.2	– 2.4	– 2.7	– 3.2
Trade, transport and communication	– 0.5	– 0.7	– 0.6	– 1.0	1.4	– 1.2	2.0	1.7	3.2
Finance and business services	0.3	– 0.6	– 0.1	1.7	0.6	0.6	1.7	1.3	– 1.3
Non-market-related services	0.7	1.0	0.3	0.8	– 0.2	– 1.5	0.0	– 0.8	1.1
Market-related sectors	0.1	– 0.2	– 0.1	0.0	– 0.3	– 2.3	0.2	0.3	0.4

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
France

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	57 616	57 908	58 509	58 850	*59 224*	0.6	%
2. Population (working age: 15-64)		37 619	37 787	38 184	38 451	*38 683*	0.6	%
as % of total population		65.3	65.3	65.3	65.3	*65.3*	0.0	p.p.
3. Labour force (15-64)	**1 000 pers.**	25 814	26 060	26 514	26 736	*26 882*	0.5	%
Male		13 968	14 103	14 248	14 305	*14 335*	0.2	%
Female		11 846	11 957	12 267	12 432	*12 548*	0.9	%
4. Activity rate (as % of population 15-64)		68.6	69.0	69.4	69.5	*69.5*	0.0	p.p.
Young (15-24)		35.7	36.9	38.1	38.5	*38.4*	– 0.1	p.p.
Prime age (25-54)		86.1	86.1	86.2	86.5	*86.7*	0.2	p.p.
Older (55-64)		32.6	35.6	38.8	39.6	*40.0*	0.5	p.p.
Male		75.1	75.5	75.5	75.3	*75.1*	– 0.2	p.p.
Young (15-24)		39.2	41.0	42.1	42.5	*42.5*	0.0	p.p.
Prime age (25-54)		94.0	93.9	93.5	93.5	*93.5*	0.0	p.p.
Older (55-64)		36.9	40.5	43.2	43.5	*43.1*	– 0.3	p.p.
Female		62.3	62.6	63.5	63.9	*64.1*	0.1	p.p.
Young (15-24)		32.3	32.7	34.1	34.4	*34.3*	– 0.1	p.p.
Prime age (25-54)		78.4	78.6	79.2	79.8	*80.2*	0.3	p.p.
Older (55-64)		28.5	31.0	34.6	35.9	*37.1*	1.3	p.p.
5. Employment rate (as % of population 15-64)		62.7	62.9	63.3	63.1	*63.1*	0.0	p.p.
Young (15-24)		29.3	29.9	30.6	30.4	*30.1*	– 0.2	p.p.
Prime age (25-54)		79.4	79.4	79.5	79.6	*79.8*	0.2	p.p.
Older (55-64)		30.7	33.7	36.8	37.3	*37.9*	0.6	p.p.
Male		69.8	69.6	69.4	69.0	*68.8*	– 0.2	p.p.
Young (15-24)		32.9	33.8	34.0	34.0	*33.9*	– 0.1	p.p.
Prime age (25-54)		88.3	87.6	87.1	86.9	*87.0*	0.1	p.p.
Older (55-64)		34.9	38.1	40.9	41.0	*40.7*	– 0.3	p.p.
Female		55.7	56.4	57.3	57.4	*57.6*	0.2	p.p.
Young (15-24)		25.7	25.9	27.1	26.7	*26.3*	– 0.4	p.p.
Prime age (25-54)		70.8	71.5	72.0	72.5	*72.9*	0.4	p.p.
Older (55-64)		26.7	29.6	32.9	33.8	*35.2*	1.4	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		23 584	23 784	24 161	24 277	*24 425*	148	Th.
Male (as % of total)		55.1	54.7	54.2	54.0	*53.8*	– 0.2	p.p.
Female (as % of total)		44.9	45.3	45.8	46.0	*46.2*	0.2	p.p.
7. Employment growth (%) (national accounts)		1.8	0.6	0.1	0.0	*0.3*		p.p.
Employment growth (%) (LFS, age 15-64)		**2.4**	**0.8**	**1.6**	**0.5**	***0.6***		p.p.
Male		**2.5**	**0.1**	**0.8**	**0.1**	***0.3***		p.p.
Female		**2.2**	**1.7**	**2.6**	**1.0**	***1.0***		p.p.
8. Self employed (% of total employment)		5.5	5.4	5.8	5.4	*5.5*	0.2	p.p.
Male		6.9	7.0	7.3	6.8	*7.1*	0.3	p.p.
Female		3.7	3.6	3.9	3.7	*3.7*	0.0	p.p.
9. Temporary employment (as % total)		14.9	14.1	12.7	12.9	*13.3*	0.4	p.p.
Male		13.6	12.5	11.4	11.8	*12.6*	0.8	p.p.
Female		16.3	16.0	14.2	14.0	*14.0*	0.0	p.p.
10. Part-time (as % of total employment)		16.3	16.1	16.4	16.5	*17.1*	0.6	p.p.
Male		4.9	4.9	5.2	5.1	*5.4*	0.4	p.p.
Female		30.3	29.6	29.7	29.9	*30.6*	0.7	p.p.
11. Unemployment rate (harmonised: 15-74)		8.4	8.9	9.5	9.6	*9.5*	– 0.1	p.p.
Young (15-24)		18.0	18.9	19.7	21.0	*21.5*	0.4	p.p.
Prime age (25-54)		7.7	7.8	7.8	8.0	*8.0*	– 0.1	p.p.
Older (55-64)		5.8	5.3	5.2	5.7	*5.4*	– 0.3	p.p.
Male		7.0	7.9	8.6	8.7	*8.7*	0.0	p.p.
Young (15-24)		16.0	17.5	19.2	20.0	*20.1*	0.1	p.p.
Prime age (25-54)		6.0	6.7	6.8	7.0	*7.0*	0.0	p.p.
Older (55-64)		5.5	5.9	5.3	5.6	*5.7*	0.0	p.p.
Female		10.0	10.0	10.5	10.5	*10.5*	0.0	p.p.
Young (15-24)		20.5	20.8	20.5	22.4	*23.2*	0.8	p.p.
Prime age (25-54)		9.7	9.0	9.0	9.2	*9.1*	– 0.1	p.p.
Older (55-64)		6.4	4.6	5.1	5.8	*5.2*	– 0.6	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		36.8	32.7	39.5	40.5	*41.3*	0.8	p.p.
13. Worked hours (average actual weekly hours)		38.1	37.6	36.4	36.6	*36.8*	0.5	%
Male		41.1	40.6	39.3	39.6	*39.9*	0.6	%
Female		34.4	33.9	32.7	32.9	*33.0*	0.4	%
14. Sectoral employment growth								
Agriculture		– 1.6	– 1.8	– 1.7	1.2	*1.3*		p.p.
Building and construction		3.0	1.5	0.8	2.1	*2.1*		p.p.
Services		2.1	1.3	0.7	0.6	*0.7*		p.p.
Manufacturing industry		1.0	– 2.2	– 2.1	– 3.1	*– 2.4*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
France

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.4	3.4	2.8	3.4	2.8	:	:	:	:
Compensation of employees per hour worked	3.6	6.2	3.3	3.4	2.7	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	4.8	3.8	2.5	3.0	3.1	3.3	2.9	2.8	3.5
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	2.3	3.0	1.8	1.1	1.8	:	:	:	:
Real unit labour costs deflated by GDP deflator	0.3	0.6	– 0.1	– 0.6	0.0	:	:	:	:
Wages and salaries	3.9	3.0	1.5	3.2	:	3.0	2.6	2.5	2.7
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	66.0	66.3	66.2	66.1	66.4	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	32.0	:	:	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	68.0	68.10u	68.00u	68.00u	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	58.4	58.20u	57.90u	57.80u	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	27.6	27.50u	27.50u	27.10u	:	:	:	:	:
Other indirect costs (as % of total labour costs)	4.4	4.40u	4.60u	4.90u	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.1	0.4	1.0	2.3	0.9	:	:	:	:
Hourly labour productivity	1.0	3.1	1.5	2.4	1.0	:	:	:	:
GDP	1.9	1.0	1.1	2.3	1.2	1.4	1.7	1.1	0.8
ECFIN NAIRU estimate	9.7	9.7	9.7	9.6	9.4	:	:	:	:
Output gap (%)	2.1	1.2	– 0.1	0.0	– 0.7	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	1.5	2.2	2.2	2.4	1.2	1.3	1.3	1.0	1.1
GDP deflator	2.0	2.4	1.9	1.7	1.9	1.8	1.7	1.9	1.9
Sectoral breakdown of unit labour costs									
Agriculture and fishery	6.6	– 1.5	:	:	:	2.7	14.8	21.0	18.0
Industry excluding construction	1.2	0.9	:	:	:	– 1.1	– 3.7	– 2.0	– 1.0
of which: manufacturing	1.2	0.7	– 1.5	– 1.1	– 0.6	:	:	:	:
Construction	2.7	4.2	:	:	:	4.4	4.5	5.8	5.7
Trade, transport and communication	2.5	1.0	:	:	:	2.5	0.8	1.7	1.2
Finance and business services	4.5	2.6	:	:	:	2.0	1.0	1.6	2.8
Non-market-related services	2.6	4.6	:	:	:	2.7	3.6	3.6	:
Market-related sectors	2.2	2.5	1.5	0.5	:	1.5	0.5	1.8	2.2
Sectoral breakdown of compensation per employee									
Total industries	2.8	2.8	2.2	:	:	0.0	0.0	0.0	0.0
Agriculture and fishery	5.4	5.3	:	:	:	2.7	1.5	1.2	1.4
Industry excluding construction	2.5	3.7	:	:	:	2.3	1.7	2.1	2.5
of which: manufacturing	1.2	2.9	2.7	3.7	3.3	:	:	:	:
Construction	3.1	1.3	:	:	:	3.3	2.7	3.3	3.0
Trade, transport and communication	2.4	1.4	:	:	:	2.5	2.3	3.0	3.3
Finance and business services	1.6	2.5	:	:	:	2.9	1.9	2.3	2.3
Non-market-related services	3.8	4.0	:	:	:	3.6	4.3	3.5	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 1.1	6.9	– 13.8	22.5	:	0.0	– 11.6	– 16.4	– 14.1
Industry excluding construction	1.3	2.8	4.1	4.8	:	3.5	5.6	4.3	3.6
of which: manufacturing	0.0	2.2	4.2	4.9	3.9	:	:	:	:
Construction	0.4	- 2.7	– 1.6	0.8	:	– 1.1	– 1.7	– 2.3	– 2.5
Trade, transport and communication	– 0.1	0.4	– 0.3	1.1	:	0.0	1.5	1.2	2.1
Finance and business services	– 2.8	– 0.1	3.5	1.9	:	0.8	1.0	0.7	– 0.5
Non-market-related services	1.1	– 0.6	– 0.4	1.1	:	0.9	0.6	– 0.1	– 0.3
Market-related sectors	– 0.5	0.8	1.3	3.0	:	1.1	1.6	0.8	0.5

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Ireland

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	3 859	3 926	3 991	4 060	*4 149*	2.2	%
2. Population (working age: 15-64)		2 601	2 661	2 711	2 762	*2 831*	2.5	%
as % of total population		67.4	67.8	67.9	68.0	*68.2*	0.2	p.p.
3. Labour force (15-64)	**1 000 pers.**	1 783	1 825	1 866	1 919	*2 004*	4.4	%
Male		1 045	1 059	1 079	1 109	*1 149*	3.7	%
Female		739	765	787	811	*854*	5.4	%
4. Activity rate (as % of population 15-64)		68.5	68.6	68.8	69.5	*70.8*	1.3	p.p.
Young (15-24)		53.1	52.0	52.3	52.4	*53.3*	0.9	p.p.
Prime age (25-54)		78.9	79.1	79.1	79.9	*80.9*	1.0	p.p.
Older (55-64)		48.1	49.2	50.2	50.8	*53.0*	2.3	p.p.
Male		79.9	79.2	79.3	79.9	*80.6*	0.7	p.p.
Young (15-24)		57.4	55.7	56.0	55.9	*56.5*	0.6	p.p.
Prime age (25-54)		91.8	91.2	91.0	91.8	*92.1*	0.4	p.p.
Older (55-64)		66.2	66.6	66.3	66.9	*67.7*	0.7	p.p.
Female		57.1	57.8	58.3	59.0	*60.8*	1.8	p.p.
Young (15-24)		48.8	48.2	48.4	48.8	*49.8*	1.0	p.p.
Prime age (25-54)		66.0	66.9	67.2	68.0	*69.6*	1.6	p.p.
Older (55-64)		29.4	31.5	33.7	34.5	*38.2*	3.7	p.p.
5. Employment rate (as % of population 15-64)		65.8	65.5	65.5	66.3	*67.6*	1.4	p.p.
Young (15-24)		49.4	47.6	47.5	47.8	*48.7*	1.0	p.p.
Prime age (25-54)		76.3	76.0	75.9	76.8	*77.9*	1.1	p.p.
Older (55-64)		46.8	48.1	49.0	49.4	*51.6*	2.1	p.p.
Male		76.6	75.4	75.2	75.9	*76.9*	0.9	p.p.
Young (15-24)		53.0	50.6	50.5	50.7	*51.5*	0.9	p.p.
Prime age (25-54)		88.6	87.4	87.0	87.8	*88.4*	0.6	p.p.
Older (55-64)		64.8	65.1	64.7	65.0	*65.8*	0.8	p.p.
Female		54.9	55.4	55.7	56.5	*58.3*	1.8	p.p.
Young (15-24)		45.4	44.4	44.4	44.6	*45.9*	1.3	p.p.
Prime age (25-54)		64.0	64.7	64.8	65.9	*67.4*	1.5	p.p.
Older (55-64)		28.8	30.7	33.2	33.7	*37.3*	3.6	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		1 712	1 742	1 776	1 830	*1 915*	85	Th.
Male (as % of total)		58.5	57.9	57.7	57.5	*57.2*	– 0.3	p.p.
Female (as % of total)		41.5	42.1	42.3	42.5	*42.8*	0.4	p.p.
7. Employment growth (%) (national accounts)		3.0	1.8	2.0	3.1	*4.7*		p.p.
Employment growth (%) (LFS, age 15-64)		**3.1**	**1.8**	**2.0**	**3.1**	***4.6***		p.p.
Male		**2.6**	**0.7**	**1.5**	**2.9**	***4.0***		p.p.
Female		**3.9**	**3.3**	**2.5**	**3.3**	***5.5***		p.p.
8. Self employed (% of total employment)		10.4	10.4	10.2	10.3	*9.9*	– 0.4	p.p.
Male		15.1	15.2	14.9	15.1	*14.6*	– 0.6	p.p.
Female		3.7	3.8	3.9	3.8	*3.8*	– 0.1	p.p.
9. Temporary employment (as % total)		5.2	5.3	5.1	4.1	*3.7*	– 0.5	p.p.
Male		4.4	4.5	4.4	3.7	*3.1*	– 0.6	p.p.
Female		6.2	6.3	6.0	4.7	*4.3*	– 0.4	p.p.
10. Part-time (as % of total employment)		16.2	16.2	16.5	16.5	*13.4*	– 3.1	p.p.
Male		6.1	6.0	6.1	5.6	*5.0*	– 0.6	p.p.
Female		30.6	30.4	30.8	31.2	*24.5*	– 6.7	p.p.
11. Unemployment rate (harmonised: 15-74)		4.0	4.5	4.7	4.5	*4.3*	– 0.2	p.p.
Young (15-24)		7.1	8.5	9.1	8.8	*8.6*	– 0.3	p.p.
Prime age (25-54)		3.3	3.8	4.1	3.9	*3.7*	– 0.2	p.p.
Older (55-64)		2.8	2.3	2.4	2.6	*2.7*	0.2	p.p.
Male		4.1	4.7	5.0	4.9	*4.6*	– 0.3	p.p.
Young (15-24)		7.6	9.1	9.7	9.4	*8.9*	– 0.5	p.p.
Prime age (25-54)		3.5	4.2	4.4	4.3	*4.0*	– 0.3	p.p.
Older (55-64)		2.2	2.3	2.4	2.9	*2.8*	– 0.1	p.p.
Female		3.8	4.1	4.3	4.1	*4.0*	– 0.1	p.p.
Young (15-24)		6.9	7.9	8.3	8.6	*7.8*	– 0.8	p.p.
Prime age (25-54)		3.1	3.3	3.6	3.1	*3.2*	0.1	p.p.
Older (55-64)		2.0	2.7	1.6	2.3	*2.3*	0.0	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		33.0	30.2	32.9	35.0	*33.6*	– 1.4	p.p.
13. Worked hours (average actual weekly hours)		38.5	38.0	37.5	37.3	*37.3*	– 0.1	%
Male		42.7	42.2	41.6	41.5	*41.5*	0.1	%
Female		32.3	32.0	31.6	31.4	*31.4*	0.1	%
14. Sectoral employment growth								
Agriculture		– 3.7	– 1.6	– 3.2	– 2.4	*– 1.3*		p.p.
Building and construction		6.8	2.4	4.8	10.3	*14.2*		p.p.
Services		3.8	3.6	3.1	3.6	*5.4*		p.p.
Manufacturing industry		0.3	– 4.0	– 1.9	– 1.6	*– 2.4*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Ireland

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	7.4	5.1	5.6	5.5	5.1	:	:	:	:
Compensation of employees per hour worked	8.7	6.6	7.2	6.0	6.7	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	8.5	4.0	5.5	5.0	:	4.7	4.2	4.1	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	4.2	0.8	3.1	4.1	5.2	:	:	:	:
Real unit labour costs deflated by GDP deflator	– 1.4	– 4.1	1.0	1.8	2.0	:	:	:	:
Wages and salaries	5.3	– 0.2	3.3	4.2	:	3.6	4.1	3.5	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	54.2	52.0	52.8	54.2	55.6	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	3.1	4.3	2.4	1.3	– 0.1	– 1.7	– 0.5	– 0.1	0.6
Hourly labour productivity	3.7	5.5	3.7	1.7	0.6	:	:	:	:
GDP	6.2	6.1	4.4	4.5	4.7	2.6	4.5	4.7	5.3
ECFIN NAIRU estimate	5.0	4.4	4.1	3.9	3.8	:	:	:	:
Output gap (%)	3.8	3.3	1.7	0.3	– 1.3	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	4.3	5.1	4.3	2.1	1.5	1.5	1.6	1.5	1.5
GDP deflator	5.7	5.0	2.0	2.2	3.1	1.8	3.6	4.1	4.1
Sectoral breakdown of unit labour costs									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	– 2.1	– 9.8	– 3.4	5.1	0.1	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	7.4	5.1	5.6	5.5	:	0.0	0.0	0.0	:
Agriculture and fishery	8.3	– 2.1	6.9	12.8	:	10.4	10.0	8.4	7.2
Industry excluding construction	4.8	1.8	5.4	6.9	:	6.3	3.7	3.2	2.2
of which: manufacturing	3.8	2.9	5.6	7.1	3.8	:	:	:	:
Construction	8.7	9.8	4.6	2.4	:	5.2	6.1	4.3	7.3
Trade, transport and communication	2.6	1.6	4.0	4.9	:	4.0	3.8	3.9	3.5
Finance and business services	12.7	3.2	5.1	5.6	:	2.3	4.6	3.4	5.5
Non-market-related services	9.5	8.6	7.0	4.4	:	2.5	4.0	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	6.1	14.1	9.3	1.9	3.6	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Italy

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	57 229	57 382	57 399	57 442	*58 077*	1.1	%
2. Population (working age: 15-64)		38 646	38 676	38 692	38 292	*38 588*	0.8	%
as % of total population		67.5	67.4	67.4	66.7	*66.4*	– 0.2	p.p.
3. Labour force (15-64)	**1 000 pers.**	23 429	23 631	23 797	24 014	*24 099*	0.4	%
Male		14 264	14 345	14 429	14 274	*14 360*	0.6	%
Female		9 165	9 287	9 368	9 740	*9 739*	0.0	%
4. Activity rate (as % of population 15-64)		60.6	61.1	61.5	62.7	*62.5*	– 0.3	p.p.
Young (15-24)		36.6	35.5	34.6	36.1	*33.8*	– 2.4	p.p.
Prime age (25-54)		75.1	75.7	76.3	77.5	*77.4*	– 0.1	p.p.
Older (55-64)		29.2	30.2	31.5	31.8	*32.6*	0.7	p.p.
Male		74.1	74.3	74.7	74.9	*74.6*	– 0.3	p.p.
Young (15-24)		40.6	39.9	39.2	40.5	*38.7*	– 1.8	p.p.
Prime age (25-54)		90.7	91.0	91.5	91.4	*91.2*	– 0.2	p.p.
Older (55-64)		42.3	43.0	44.4	44.0	*44.3*	0.3	p.p.
Female		47.3	47.9	48.3	50.6	*50.4*	– 0.3	p.p.
Young (15-24)		32.6	31.0	29.9	31.7	*28.7*	– 3.0	p.p.
Prime age (25-54)		59.3	60.3	60.9	63.6	*63.6*	– 0.1	p.p.
Older (55-64)		16.9	18.1	19.3	20.4	*21.5*	1.1	p.p.
5. Employment rate (as % of population 15-64)		54.8	55.5	56.1	57.6	*57.6*	0.0	p.p.
Young (15-24)		26.3	25.8	25.2	27.6	*25.7*	– 2.0	p.p.
Prime age (25-54)		69.2	70.1	70.7	72.2	*72.3*	0.1	p.p.
Older (55-64)		28.0	28.9	30.3	30.5	*31.4*	0.9	p.p.
Male		68.5	69.1	69.6	70.1	*69.9*	– 0.2	p.p.
Young (15-24)		30.4	30.3	29.7	32.1	*30.4*	– 1.7	p.p.
Prime age (25-54)		85.5	86.0	86.5	86.7	*86.6*	0.0	p.p.
Older (55-64)		40.4	41.2	42.8	42.2	*42.7*	0.5	p.p.
Female		41.1	42.0	42.7	45.2	*45.3*	0.0	p.p.
Young (15-24)		22.1	21.3	20.6	23.1	*20.8*	– 2.3	p.p.
Prime age (25-54)		52.8	54.0	54.9	57.8	*57.9*	0.1	p.p.
Older (55-64)		16.3	17.3	18.5	19.6	*20.8*	1.2	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		21 169	21 478	21 710	22 060	*22 214*	155	Th.
Male (as % of total)		62.4	62.1	61.9	60.5	*60.6*	0.1	p.p.
Female (as % of total)		37.6	37.9	38.1	39.5	*39.4*	– 0.1	p.p.
7. Employment growth (%) (national accounts)		2.0	1.7	1.5	0.3	*0.2*		p.p.
Employment growth (%) (LFS, age 15-64)		**2.0**	**1.5**	**1.1**	**1.6**	***0.7***		p.p.
Male		**1.0**	**1.0**	**0.8**	**– 0.6**	***0.8***		p.p.
Female		**3.8**	**2.2**	**1.5**	**5.2**	***0.5***		p.p.
8. Self employed (% of total employment)		11.3	11.0	10.7	17.7	*17.1*	– 0.6	p.p.
Male		13.5	13.1	12.7	19.9	*19.4*	– 0.5	p.p.
Female		7.7	7.5	7.4	14.2	*13.6*	– 0.6	p.p.
9. Temporary employment (as % total)		9.8	9.9	9.9	11.8	*12.3*	0.5	p.p.
Male		8.3	8.4	8.2	9.9	*10.5*	0.5	p.p.
Female		11.9	12.0	12.2	14.5	*14.7*	0.2	p.p.
10. Part-time (as % of total employment)		8.3	8.5	8.4	12.5	*12.7*	0.2	p.p.
Male		3.3	3.3	3.0	4.4	*4.3*	– 0.1	p.p.
Female		16.6	16.9	17.3	24.9	*25.6*	0.7	p.p.
11. Unemployment rate (harmonised: 15-74)		9.1	8.6	8.4	8.0	*7.7*	– 0.3	p.p.
Young (15-24)		28.2	27.2	27.1	23.5	*23.9*	0.4	p.p.
Prime age (25-54)		7.9	7.5	7.2	6.9	*6.7*	– 0.2	p.p.
Older (55-64)		4.3	4.1	3.8	4.1	*3.5*	– 0.6	p.p.
Male		7.1	6.7	6.5	6.4	*6.2*	– 0.2	p.p.
Young (15-24)		25.0	24.0	24.2	20.6	*21.5*	0.8	p.p.
Prime age (25-54)		5.8	5.6	5.4	5.2	*5.1*	– 0.2	p.p.
Older (55-64)		4.5	4.0	3.6	4.1	*3.6*	– 0.6	p.p.
Female		12.2	11.5	11.3	10.5	*10.1*	– 0.4	p.p.
Young (15-24)		32.2	31.4	30.9	27.2	*27.4*	0.2	p.p.
Prime age (25-54)		11.1	10.5	10.0	9.2	*8.9*	– 0.3	p.p.
Older (55-64)		4.1	4.4	4.3	4.0	*3.2*	– 0.8	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		62.2	59.6	58.1	49.1	*49.9*	0.8	p.p.
13. Worked hours (average actual weekly hours)		39.2	38.4	38.3	38.1	*38.1*	0.1	%
Male		41.4	40.5	40.5	41.0	*41.0*	– 0.1	%
Female		35.5	34.6	34.5	33.5	*33.5*	0.1	%
14. Sectoral employment growth								
Agriculture		0.7	– 2.8	– 6.5	– 0.7	*– 4.1*		p.p.
Building and construction		6.6	2.5	3.0	2.2	*2.9*		p.p.
Services		2.4	2.2	2.2	0.7	*0.7*		p.p.
Manufacturing industry		– 0.2	0.8	0.7	– 1.1	*– 1.6*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Italy

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.9	2.2	2.4	3.1	2.5	2.1	1.3	2.2	:
Compensation of employees per hour worked	3.8	4.0	3.7	2.6	4.7	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	:	:	:	:	:	:	:	:	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	3.1	3.6	3.9	2.3	2.8	3.6	1.7	2.4	:
Real unit labour costs deflated by GDP deflator	0.1	0.2	0.9	– 0.6	0.7	1.7	0.3	0.6	:
Wages and salaries	4.8	1.9	0.9	2.2	3.9	4.0	2.8	3.4	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	61.4	61.6	61.9	61.6	62.2	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	30.9	31.0	:	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	69.1	69.0	:	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	62.5	62.7	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	29.5	29.5	:	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.4	1.5	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	– 0.2	– 1.3	– 1.4	0.7	– 0.2	– 1.4	– 0.4	– 0.2	:
Hourly labour productivity	0.1	– 0.2	– 0.2	0.3	0.4	:	:	:	:
GDP	1.8	0.3	0.0	1.1	0.0	– 0.5	0.3	0.1	0.0
ECFIN NAIRU estimate	9.3	9.0	8.8	8.5	8.1	:	:	:	:
Output gap (%)	2.1	1.1	0.0	– 0.2	– 1.4	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	2.1	2.8	2.7	2.3	2.0	2.1	2.1	1.9	1.8
GDP deflator	3.0	3.4	3.1	2.9	2.1	1.8	1.4	1.8	3.2
Sectoral breakdown of unit labour costs									
Agriculture and fishery	5.8	1.9	3.5	– 11.8	2.5	8.8	9.3	– 4.5	0.5
Industry excluding construction	3.3	4.0	5.1	1.4	3.2	5.0	0.7	3.6	3.2
of which: manufacturing	3.6	4.3	5.4	2.3	3.0	5.2	0.2	2.8	3.2
Construction	0.8	3.1	3.8	3.4	3.9	8.2	6.5	0.0	1.5
Trade, transport and communication	0.9	3.8	5.3	2.3	0.6	4.3	0.4	– 2.3	0.5
Finance and business services	3.5	4.2	2.0	3.7	4.1	3.6	6.7	2.9	3.0
Non-market-related services	4.1	3.3	4.6	2.0	3.1	0.4	– 2.3	:	:
Market-related sectors	2.5	3.5	4.1	2.0	2.3	4.4	2.6	0.6	1.8
Sectoral breakdown of compensation per employee									
Total industries	2.9	2.2	2.4	3.1	2.5	0.0	0.0	0.0	0.0
Agriculture and fishery	2.5	1.5	5.3	0.9	4.5	5.5	5.3	5.0	2.0
Industry excluding construction	2.9	2.3	2.1	3.9	2.2	2.0	2.3	1.9	2.4
of which: manufacturing	2.9	2.2	2.1	4.1	2.5	2.2	2.3	1.8	2.4
Construction	1.8	2.9	3.5	4.0	1.6	1.2	3.7	2.0	0.1
Trade, transport and communication	1.4	2.6	2.4	3.3	2.0	4.8	1.3	0.9	1.1
Finance and business services	0.8	1.4	0.8	2.2	1.7	1.1	4.7	– 0.6	1.3
Non-market-related services	4.7	2.0	2.6	2.7	3.7	1.5	- 2.5	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 3.1	– 0.4	1.8	14.3	1.9	– 3.0	– 3.7	9.9	1.5
Industry excluding construction	– 0.4	– 1.6	– 2.8	2.5	– 0.9	– 2.9	1.6	– 1.6	– 0.8
of which: manufacturing	– 0.7	– 2.1	– 3.1	1.8	– 0.5	– 2.9	2.1	– 1.0	– 0.7
Construction	1.0	– 0.2	– 0.2	0.6	– 2.1	– 6.5	– 2.7	2.1	– 1.3
Trade, transport and communication	0.5	– 1.1	– 2.8	1.0	1.3	0.5	1.0	3.3	0.6
Finance and business services	– 2.6	– 2.7	– 1.2	– 1.5	– 2.3	– 2.4	– 1.9	– 3.3	– 1.7
Non-market-related services	0.6	– 1.3	– 1.9	0.7	0.5	1.1	– 0.2	0.0	1.3
Market-related sectors	– 0.5	– 1.1	– 1.7	1.2	– 0.4	– 1.8	0.0	0.7	– 0.4

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Cyprus

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	673	679	688	711	*727*	2.3	%
2. Population (working age: 15-64)		444	447	458	476	*494*	3.8	%
as % of total population		66.0	65.8	66.6	66.9	*67.9*	1.0	p.p.
3. Labour force (15-64)	**1 000 pers.**	314	317	331	345	*358*	3.5	%
Male		175	174	180	191	*199*	4.1	%
Female		139	143	150	154	*159*	3.2	%
4. Activity rate (as % of population 15-64)		70.7	70.9	72.3	72.6	*72.4*	– 0.2	p.p.
Young (15-24)		41.9	39.5	40.7	41.4	*42.4*	0.9	p.p.
Prime age (25-54)		83.5	84.7	85.8	86.1	*85.7*	– 0.5	p.p.
Older (55-64)		51.5	50.7	52.9	52.5	*52.0*	– 0.5	p.p.
Male		81.8	80.9	81.8	83.0	*82.9*	– 0.1	p.p.
Young (15-24)		43.9	40.0	42.5	45.2	*46.6*	1.4	p.p.
Prime age (25-54)		95.7	95.1	95.2	95.2	*95.3*	0.1	p.p.
Older (55-64)		68.8	69.7	73.5	73.8	*73.0*	– 0.9	p.p.
Female		60.4	61.6	63.0	62.8	*62.6*	– 0.2	p.p.
Young (15-24)		41.3	39.1	41.3	38.0	*39.1*	1.1	p.p.
Prime age (25-54)		72.0	74.3	76.4	77.6	*76.5*	– 1.1	p.p.
Older (55-64)		35.3	32.4	33.3	32.1	*33.1*	1.0	p.p.
5. Employment rate (as % of population 15-64)		67.8	68.7	69.2	69.1	*68.5*	– 0.6	p.p.
Young (15-24)		39.5	37.2	37.2	37.3	*36.7*	– 0.6	p.p.
Prime age (25-54)		80.8	82.0	82.8	82.7	*81.8*	– 0.9	p.p.
Older (55-64)		48.5	49.3	50.0	50.2	*50.3*	0.1	p.p.
Male		79.4	79.1	79.1	80.0	*79.2*	– 0.7	p.p.
Young (15-24)		39.0	37.5	40.0	42.1	*40.9*	– 1.2	p.p.
Prime age (25-54)		93.6	93.7	92.5	92.8	*91.9*	– 0.8	p.p.
Older (55-64)		68.8	66.7	67.6	70.1	*70.3*	0.2	p.p.
Female		57.0	59.1	60.1	59.0	*58.3*	– 0.8	p.p.
Young (15-24)		37.0	34.8	37.0	33.1	*33.5*	0.4	p.p.
Prime age (25-54)		68.7	71.7	73.2	73.1	*72.1*	– 0.9	p.p.
Older (55-64)		32.4	32.4	33.3	30.4	*31.2*	0.9	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		301	307	317	329	*338*	9	Th.
Male (as % of total)		56.5	55.4	54.9	55.9	*56.1*	0.3	p.p.
Female (as % of total)		43.5	44.6	45.1	44.1	*43.9*	– 0.3	p.p.
7. Employment growth (%) (national accounts)		2.2	1.1	1.1	1.5	*1.5*		p.p.
Employment growth (%) (LFS, age 15-64)		**5.2**	**2.0**	**3.3**	**3.7**	***2.8***		p.p.
Male		**2.4**	**0.0**	**2.4**	**5.6**	***3.3***		p.p.
Female		**9.2**	**4.6**	**4.4**	**1.4**	***2.2***		p.p.
8. Self employed (% of total employment)		13.0	13.0	13.6	12.9	*12.4*	– 0.5	p.p.
Male		17.1	17.1	17.8	16.5	*15.0*	– 1.5	p.p.
Female		7.6	8.0	7.7	8.0	*8.8*	0.7	p.p.
9. Temporary employment (as % total)		10.8	9.1	12.6	13.0	*14.0*	1.0	p.p.
Male		7.0	5.7	8.1	8.6	*9.0*	0.4	p.p.
Female		14.8	12.8	17.1	17.6	*19.5*	1.9	p.p.
10. Part-time (as % of total employment)		7.3	6.2	7.6	7.5	*7.5*	0.0	p.p.
Male		3.5	2.9	3.4	3.1	*3.0*	– 0.1	p.p.
Female		12.2	10.9	12.6	12.6	*13.2*	0.5	p.p.
11. Unemployment rate (harmonised: 15-74)		3.9	3.6	4.1	4.7	*5.3*	0.6	p.p.
Young (15-24)		5.6	5.9	8.6	9.9	*13.3*	3.4	p.p.
Prime age (25-54)		3.3	3.2	3.5	4.0	*4.5*	0.5	p.p.
Older (55-64)		5.9	2.9	5.4	4.3	*3.2*	– 1.2	p.p.
Male		2.7	2.9	3.6	3.6	*4.1*	0.5	p.p.
Young (15-24)		11.1	6.3	5.9	7.0	*12.2*	5.2	p.p.
Prime age (25-54)		2.2	1.5	2.9	2.5	*3.5*	0.9	p.p.
Older (55-64)		0.0	4.3	8.0	5.1	*3.7*	– 1.4	p.p.
Female		5.5	4.4	4.7	6.0	*6.7*	0.7	p.p.
Young (15-24)		10.5	11.1	10.5	13.0	*14.3*	1.3	p.p.
Prime age (25-54)		4.6	3.5	4.2	5.9	*5.7*	– 0.2	p.p.
Older (55-64)		8.3	0.0	0.0	5.6	*5.8*	0.2	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		21.2	20.1	24.0	27.4	*23.4*	– 4.1	p.p.
13. Worked hours (average actual weekly hours)		38.5	38.3	38.0	39.7	*39.2*	– 1.3	%
Male		40.2	40.1	40.0	41.9	*41.3*	– 1.4	%
Female		36.4	36.0	35.6	36.9	*36.3*	– 1.6	%
14. Sectoral employment growth								
Agriculture		– 2.0	– 1.6	– 0.8	– 1.7	*:*		p.p.
Building and construction		5.0	6.5	6.8	2.9	*:*		p.p.
Services		3.3	1.5	0.9	2.0	*:*		p.p.
Manufacturing industry		– 3.5	– 3.1	– 1.7	– 0.6	*– 0.5*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Cyprus

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	1.0	4.1	9.3	3.5	4.4	0.9	1.2	3.2	2.6
Compensation of employees per hour worked	– 2.4	8.0	8.1	2.5	4.3	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.7	5.6	6.3	4.5	4.0	:	:	:	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	– 0.8	3.1	8.4	1.1	2.1	0.1	1.2	2.9	1.8
Real unit labour costs deflated by GDP deflator	– 3.9	0.8	3.2	– 1.3	– 0.7	– 2.9	– 1.5	0.1	– 0.9
Wages and salaries	0.1	3.1	5.8	1.5	1.4	– 0.2	– 1.7	3.4	4.2
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	59.8	60.7	64.9	64.7	64.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	13.6	13.8	15.4	15.5	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	86.4	86.2	4.56b	84.5	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	86.4	86.2	4.56b	84.5	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	13.6	13.8	14.4	15.5	:	:	:	:	:
Other indirect costs (as % of total labour costs)	0.0	0.0	0.00b	0.0	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	1.9	1.0	0.9	2.3	2.2	0.8	0.0	0.4	0.8
Hourly labour productivity	– 4.6	1.7	– 0.2	1.4	2.2	:	:	:	:
GDP	4.1	2.1	1.9	3.9	3.8	3.9	3.5	3.9	3.7
ECFIN NAIRU estimate	4.3	4.3	4.4	4.7	4.9	:	:	:	:
Output gap (%)	2.5	1.2	– 0.6	– 1.1	– 0.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	1.6	2.1	3.1	0.8	0.8	1.8	1.3	– 0.1	0.2
GDP deflator	3.2	2.2	5.0	2.4	2.8	3.1	2.7	2.7	2.7
Sectoral breakdown of unit labour costs									
Agriculture and fishery	–6.5	6.3	36.7	0.3	– 0.6	– 25.8	– 3.3	14.9	– 1.3
Industry excluding construction	4.2	– 2.7	3.6	3.1	9.7	10.9	6.9	4.0	4.6
of which: manufacturing	– 0.6	2.3	1.9	2.6	5.2	:	:	:	:
Construction	17.0	9.9	4.1	– 6.4	2.8	1.3	– 0.9	– 1.3	1.0
Trade, transport and communication	– 0.6	5.1	4.4	– 1.1	2.7	4.2	4.8	0.0	– 1.0
Finance and business services	4.8	6.8	4.9	0.2	3.5	4.6	– 1.0	0.5	– 1.0
Non-market-related services	1.5	4.5	12.7	2.3	2.5	:	:	:	:
Market-related sectors	2.1	5.6	6.0	– 0.6	1.7	3.2	2.4	0.7	– 0.1
Sectoral breakdown of compensation per employee									
Total industries	0.1	5.5	5.5	1.2	3.1	0.0	0.0	0.0	0.0
Agriculture and fishery	2.5	– 2.6	43.3	5.5	6.8	– 7.3	5.7	11.4	0.2
Industry excluding construction	5.0	3.3	4.4	2.2	6.8	11.1	5.2	1.5	2.0
of which: manufacturing	2.3	6.2	6.3	3.5	4.4	:	:	:	:
Construction	9.2	7.9	0.0	– 5.8	3.1	2.0	0.2	– 1.1	2.0
Trade, transport and communication	– 2.3	5.7	– 0.5	1.9	3.4	5.0	4.4	1.1	– 0.2
Finance and business services	3.8	10.3	2.0	– 1.6	3.4	2.5	– 1.3	0.6	1.6
Non-market-related services	– 1.8	3.0	11.3	1.9	2.2	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	9.6	– 8.4	4.8	5.1	7.4	25.1	9.3	– 3.1	1.5
Industry excluding construction	0.8	6.1	0.8	– 0.9	– 2.6	0.2	– 1.7	– 2.4	– 2.5
of which: manufacturing	2.9	3.9	4.3	0.9	– 0.8	:	:	:	:
Construction	– 6.7	– 1.8	– 4.0	0.6	0.3	0.7	1.1	0.2	1.0
Trade, transport and communication	– 1.7	0.5	– 4.7	3.1	0.6	0.7	– 0.4	1.0	0.9
Finance and business services	– 0.9	3.3	– 2.7	– 1.8	– 0.1	– 2.0	– 0.2	0.0	2.6
Non-market-related services	– 3.2	– 1.4	– 1.3	– 0.4	– 0.2	– 0.8	– 1.0	0.0	0.2
Market-related sectors	– 0.7	1.0	– 2.4	1.2	0.6	1.5	0.4	0.4	1.0

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Latvia

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	2 364	2 344	2 330	2 319	*2 306*	– 0.6	%
2. Population (working age: 15-64)		1 594	1 590	1 588	1 587	*1 583*	– 0.3	%
as % of total population		67.4	67.8	68.2	68.4	*68.7*	0.2	p.p.
3. Labour force (15-64)	**1 000 pers.**	1 080	1 094	1 099	1 106	*1 101*	– 0.4	%
Male		556	564	564	568	*568*	0.0	%
Female		525	530	535	537	*534*	– 0.7	%
4. Activity rate (as % of population 15-64)		67.8	68.8	69.2	69.7	*69.6*	– 0.1	p.p.
Young (15-24)		37.0	39.0	38.4	37.2	*37.7*	0.5	p.p.
Prime age (25-54)		86.3	85.7	86.3	86.3	*85.6*	– 0.7	p.p.
Older (55-64)		41.5	46.3	47.9	52.3	*53.7*	1.4	p.p.
Male		72.8	74.1	74.1	74.3	*74.4*	0.0	p.p.
Young (15-24)		42.1	44.6	44.4	43.3	*43.8*	0.6	p.p.
Prime age (25-54)		89.2	89.2	89.7	89.7	*89.5*	– 0.2	p.p.
Older (55-64)		52.9	57.3	56.1	60.3	*61.0*	0.8	p.p.
Female		63.2	63.9	64.7	65.3	*65.1*	– 0.2	p.p.
Young (15-24)		31.7	33.4	32.2	31.0	*31.1*	0.1	p.p.
Prime age (25-54)		83.3	82.3	83.1	83.1	*82.0*	– 1.1	p.p.
Older (55-64)		33.2	38.2	41.8	46.2	*48.2*	2.1	p.p.
5. Employment rate (as % of population 15-64)		58.8	60.4	61.8	62.3	*63.3*	1.0	p.p.
Young (15-24)		28.9	30.9	31.5	30.5	*32.6*	2.1	p.p.
Prime age (25-54)		75.6	76.1	77.7	77.9	*78.4*	0.5	p.p.
Older (55-64)		37.2	41.7	44.2	47.8	*49.7*	1.9	p.p.
Male		62.1	64.3	66.1	66.4	*67.6*	1.2	p.p.
Young (15-24)		32.6	36.4	37.0	36.5	*38.8*	2.3	p.p.
Prime age (25-54)		77.2	78.0	80.7	80.4	*81.7*	1.3	p.p.
Older (55-64)		45.9	50.6	51.5	56.0	*55.4*	– 0.6	p.p.
Female		55.8	56.9	57.9	58.6	*59.3*	0.8	p.p.
Young (15-24)		25.1	25.3	25.6	24.4	*26.3*	1.8	p.p.
Prime age (25-54)		74.4	74.3	74.9	75.5	*75.4*	– 0.1	p.p.
Older (55-64)		30.4	35.2	38.9	42.0	*45.5*	3.5	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		938	960	981	989	*1 002*	14	Th.
Male (as % of total)		50.6	51.0	51.3	51.3	*51.4*	0.2	p.p.
Female (as % of total)		49.4	49.0	48.8	48.8	*48.6*	– 0.2	p.p.
7. Employment growth (%) (national accounts)		2.2	1.6	1.7	1.1	*1.5*		p.p.
Employment growth (%) (LFS, age 15-64)		**2.2**	**2.4**	**2.2**	**0.7**	***1.4***		p.p.
Male		**1.4**	**3.3**	**2.8**	**0.7**	***1.7***		p.p.
Female		**3.1**	**1.6**	**1.6**	**0.7**	***0.9***		p.p.
8. Self employed (% of total employment)		5.7	5.9	5.7	6.0	*5.6*	– 0.4	p.p.
Male		6.3	6.4	6.7	6.9	*6.4*	– 0.5	p.p.
Female		5.1	5.5	4.7	5.1	*4.8*	– 0.3	p.p.
9. Temporary employment (as % total)		6.7	13.8	11.2	9.5	*8.4*	– 1.1	p.p.
Male		8.5	16.9	13.2	11.6	*10.6*	– 1.0	p.p.
Female		5.0	10.6	9.1	7.3	*6.2*	– 1.1	p.p.
10. Part-time (as % of total employment)		9.3	9.0	9.6	9.7	*7.6*	– 2.1	p.p.
Male		7.9	7.0	7.4	7.1	*5.6*	– 1.5	p.p.
Female		11.0	11.1	12.0	12.3	*9.8*	– 2.6	p.p.
11. Unemployment rate (harmonised: 15-74)		12.9	12.2	10.5	10.4	*8.9*	– 1.5	p.p.
Young (15-24)		21.8	20.8	18.0	18.1	*13.5*	– 4.6	p.p.
Prime age (25-54)		12.3	11.1	10.0	9.7	*8.4*	– 1.3	p.p.
Older (55-64)		10.3	9.9	7.8	8.6	*7.5*	– 1.0	p.p.
Male		14.2	13.3	10.6	10.6	*9.1*	– 1.5	p.p.
Young (15-24)		22.6	18.3	16.8	15.6	*11.6*	– 4.0	p.p.
Prime age (25-54)		13.5	12.5	10.1	10.3	*8.6*	– 1.7	p.p.
Older (55-64)		13.3	11.6	8.2	7.0	*9.2*	2.2	p.p.
Female		11.5	11.0	10.4	10.2	*8.7*	– 1.5	p.p.
Young (15-24)		20.8	24.2	20.6	21.2	*15.5*	– 5.7	p.p.
Prime age (25-54)		10.8	9.8	9.9	9.1	*8.1*	– 1.0	p.p.
Older (55-64)		8.4	7.9	7.0	9.0	*5.6*	– 3.4	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		54.9	45.1	41.6	43.7	*45.8*	2.1	p.p.
13. Worked hours (average actual weekly hours)		42.7	41.8	41.7	41.0	*41.4*	0.8	%
Male		44.3	43.5	43.1	42.6	*43.0*	0.8	%
Female		41.1	40.1	40.1	39.3	*39.6*	0.8	%
14. Sectoral employment growth								
Agriculture		5.5	3.6	– 10.1	– 8.7	*– 5.5*		p.p.
Building and construction		19.4	– 11.4	19.2	21.1	*6.5*		p.p.
Services		1.2	3.9	2.2	2.0	*3.1*		p.p.
Manufacturing industry		– 2.8	– 2.7	5.6	– 3.4	*– 0.9*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Latvia

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.4	4.0	11.1	15.1	14.4	13.9	13.8	15.0	13.7
Compensation of employees per hour worked	3.7	5.8	11.2	18.1	15.7	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	7.4	7.9	9.7	11.2	15.1	13.8	13.4	16.0	16.9
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	– 2.2	– 0.8	5.5	7.2	5.4	7.3	2.9	4.6	5.7
Real unit labour costs deflated by GDP deflator	– 3.9	– 4.2	1.9	0.3	– 3.3	0.5	– 5.6	– 3.9	– 5.1
Wages and salaries	6.7	0.5	16.7	19.0	13.9	18.4	11.6	13.7	14.5
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	52.6	50.0	51.4	51.6	50.5	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	22.1	22.1	21.4	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	77.9	77.9	78.6	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	71.8	71.7	72.4	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	21.8	21.8	20.8	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	0.3	0.3	0.7	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	5.7	4.8	5.4	7.4	8.5	6.2	10.5	10.0	7.5
Hourly labour productivity	6.2	5.2	4.4	10.3	8.0	:	:	:	:
GDP	8.0	6.5	7.2	8.5	10.2	7.6	11.2	11.4	10.6
ECFIN NAIRU estimate	12.8	12.2	11.5	10.6	9.6	:	:	:	:
Output gap (%)	– 0.2	– 0.5	– 0.7	– 0.4	1.0	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	1.7	3.6	3.6	6.8	9.0	6.7	9.1	8.8	11.4
Sectoral breakdown of unit labour costs									
Agriculture and fishery	7.6	8.5	– 8.4	2.3	– 10.1	6.7	– 9.6	– 7.1	– 9.1
Industry excluding construction	– 10.0	– 7.0	– 5.3	0.1	2.7	8.6	5.1	7.6	7.4
of which: manufacturing	– 10.3	– 5.4	5.7	3.4	7.0	8.3	4.3	7.2	7.3
Construction	6.5	– 14.8	1.6	12.9	1.0	0.0	2.5	12.0	12.8
Trade, transport and communication	– 1.3	– 10.3	– 2.6	– 0.3	– 1.0	3.8	1.1	1.6	5.7
Finance and business services	– 17.4	1.9	– 5.6	12.9	4.6	12.9	6.9	9.7	8.5
Non-market-related services	8.3	2.8	0.4	6.8	8.2	16.9	10.8	:	:
Market-related sectors	:	:	4.9	7.2	3.9	5.6	1.7	3.2	5.0
Sectoral breakdown of compensation per employee									
Total industries	3.3	0.3	0.7	10.9	9.2	0.0	0.0	0.0	0.0
Agriculture and fishery	8.0	9.4	– 0.6	17.4	– 1.9	19.0	0.2	16.8	4.7
Industry excluding construction	1.4	2.8	– 3.9	10.4	9.9	12.6	18.4	15.0	10.4
of which: manufacturing	1.7	5.9	6.1	15.4	14.7	13.3	14.7	14.1	11.6
Construction	– 4.1	5.6	– 2.6	5.1	10.2	0.1	21.5	21.5	26.6
Trade, transport and communication	7.1	– 4.5	2.4	5.9	10.4	7.8	10.7	11.5	16.8
Finance and business services	– 4.6	3.0	– 2.8	18.3	20.8	33.9	32.3	37.2	12.2
Non-market-related services	8.7	– 0.2	4.9	13.1	8.1	20.8	12.0	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	0.4	0.9	8.6	14.7	9.1	11.5	10.8	25.7	15.3
Industry excluding construction	12.7	10.6	1.5	10.3	7.0	3.7	12.7	6.8	2.8
of which: manufacturing	13.4	11.9	0.4	11.6	7.2	4.6	10.0	6.5	4.0
Construction	– 10.0	24.0	– 4.1	– 6.9	9.0	0.2	18.5	8.6	12.3
Trade, transport and communication	8.5	6.5	5.1	6.2	11.6	3.9	9.5	9.7	10.5
Finance and business services	15.5	1.1	3.0	4.8	15.5	18.6	23.7	25.1	3.4
Non-market-related services	0.4	– 2.9	4.4	5.9	– 0.1	3.3	1.0	– 1.5	0.5
Market-related sectors	7.6	7.3	4.6	7.1	10.1	5.6	12.9	12.9	8.7

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Lithuania

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	2 796	3 453	3 445	3 434	*3 424*	– 0.3	%
2. Population (working age: 15-64)		2 311	2 303	2 305	2 311	*2 322*	0.5	%
as % of total population		82.7	66.7	66.9	67.3	*67.8*	0.5	p.p.
3. Labour force (15-64)	**1 000 pers.**	1 609	1 602	1 611	1 596	*1 587*	– 0.6	%
Male		816	813	814	811	*807*	– 0.5	%
Female		792	790	797	785	*780*	– 0.7	%
4. Activity rate (as % of population 15-64)		69.6	69.6	69.9	69.1	*68.4*	– 0.7	p.p.
Young (15-24)		32.8	31.0	30.0	26.2	*25.1*	– 1.1	p.p.
Prime age (25-54)		88.5	88.5	88.8	88.7	*87.8*	– 0.8	p.p.
Older (55-64)		44.9	46.8	50.6	52.6	*52.8*	0.2	p.p.
Male		73.7	73.6	73.5	72.8	*72.1*	– 0.7	p.p.
Young (15-24)		37.7	35.1	34.2	31.1	*29.7*	– 1.4	p.p.
Prime age (25-54)		89.7	90.5	90.5	90.6	*90.1*	– 0.6	p.p.
Older (55-64)		59.1	59.8	62.0	63.7	*64.0*	0.2	p.p.
Female		65.8	65.8	66.5	65.6	*64.9*	– 0.7	p.p.
Young (15-24)		27.6	26.7	25.8	21.5	*20.6*	– 0.9	p.p.
Prime age (25-54)		87.4	86.7	87.2	86.8	*85.8*	– 1.0	p.p.
Older (55-64)		33.9	37.1	41.8	44.1	*44.4*	0.3	p.p.
5. Employment rate (as % of population 15-64)		57.3	59.9	61.1	61.2	*62.6*	1.5	p.p.
Young (15-24)		22.5	23.7	22.5	20.3	*21.1*	0.8	p.p.
Prime age (25-54)		73.9	76.9	78.9	79.4	*81.0*	1.6	p.p.
Older (55-64)		38.9	41.6	44.8	47.1	*49.2*	2.1	p.p.
Male		58.7	62.7	64.0	64.7	*66.1*	1.4	p.p.
Young (15-24)		24.2	27.1	26.3	24.0	*24.7*	0.8	p.p.
Prime age (25-54)		73.1	78.0	79.9	81.7	*83.3*	1.6	p.p.
Older (55-64)		49.4	51.4	55.3	57.6	*59.0*	1.4	p.p.
Female		56.0	57.2	58.4	57.9	*59.4*	1.6	p.p.
Young (15-24)		21.1	20.5	18.5	16.5	*17.3*	0.9	p.p.
Prime age (25-54)		74.5	75.8	78.0	77.3	*78.8*	1.5	p.p.
Older (55-64)		31.0	34.1	36.8	39.3	*41.7*	2.4	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		1 324	1 379	1 409	1 413	*1 454*	41	Th.
Male (as % of total)		49.1	50.2	50.3	51.0	*50.9*	– 0.1	p.p.
Female (as % of total)		50.9	49.8	49.7	49.0	*49.1*	0.1	p.p.
7. Employment growth (%) (national accounts)		– 3.3	4.0	2.3	– 0.1	*2.6*		p.p.
Employment growth (%) (LFS, age 15-64)		**– 2.8**	**4.1**	**2.2**	**0.3**	***2.9***		p.p.
Male		**– 2.9**	**6.5**	**2.4**	**1.6**	***2.7***		p.p.
Female		**– 2.7**	**1.9**	**1.9**	**– 1.0**	***3.1***		p.p.
8. Self employed (% of total employment)		13.5	14.2	14.4	12.8	*11.9*	– 0.9	p.p.
Male		17.1	17.0	17.3	15.2	*14.2*	– 1.0	p.p.
Female		10.1	11.3	11.5	10.4	*9.5*	– 0.9	p.p.
9. Temporary employment (as % total)		5.8	7.3	7.2	6.3	*5.6*	– 0.8	p.p.
Male		7.6	9.8	9.7	8.8	*7.6*	– 1.1	p.p.
Female		4.2	4.9	4.8	3.9	*3.6*	– 0.4	p.p.
10. Part-time (as % of total employment)		9.6	10.6	9.2	8.3	*6.8*	– 1.5	p.p.
Male		8.0	9.3	7.1	6.4	*4.9*	– 1.5	p.p.
Female		11.2	11.9	11.4	10.3	*8.8*	– 1.5	p.p.
11. Unemployment rate (harmonised: 15-74)		16.5	13.5	12.4	11.4	*8.3*	– 3.1	p.p.
Young (15-24)		31.3	23.3	25.1	22.5	*15.9*	– 6.6	p.p.
Prime age (25-54)		16.5	13.2	11.2	10.4	*7.8*	– 2.6	p.p.
Older (55-64)		13.5	11.1	11.5	10.4	*6.8*	– 3.6	p.p.
Male		18.6	14.2	12.7	11.0	*8.2*	– 2.8	p.p.
Young (15-24)		35.8	22.7	22.9	22.9	*16.7*	– 6.1	p.p.
Prime age (25-54)		18.5	13.8	11.7	9.9	*7.5*	– 2.4	p.p.
Older (55-64)		16.5	14.1	10.9	9.6	*7.7*	– 1.9	p.p.
Female		14.3	12.8	12.2	11.8	*8.5*	– 3.5	p.p.
Young (15-24)		23.7	23.1	28.2	23.4	*16.0*	– 7.5	p.p.
Prime age (25-54)		14.7	12.6	10.6	11.0	*8.2*	– 2.8	p.p.
Older (55-64)		8.4	7.9	11.9	11.0	*6.2*	– 4.9	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		57.4	53.3	48.2	51.4	*52.2*	0.8	p.p.
13. Worked hours (average actual weekly hours)		38.3	37.8	37.4	37.9	*38.1*	0.7	%
Male		39.7	38.8	38.5	38.9	*39.4*	1.2	%
Female		37.0	36.6	36.2	36.7	*36.7*	0.1	%
14. Sectoral employment growth								
Agriculture		– 10.6	7.1	2.6	– 11.5	*– 9.0*		p.p.
Building and construction		1.3	9.9	14.9	8.5	*14.0*		p.p.
Services		– 1.3	2.2	1.0	3.5	*4.2*		p.p.
Manufacturing industry		– 4.3	7.2	1.5	– 3.7	*0.1*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Lithuania

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.8	5.1	8.9	8.2	8.7	6.1	7.4	8.1	12.8
Compensation of employees per hour worked	4.8	6.0	9.7	9.4	7.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	1.1	4.3	3.9	4.5	11.5	11.6	8.5	11.6	13.9
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	– 5.7	2.4	0.8	1.0	3.8	4.2	1.2	2.9	6.8
Real unit labour costs deflated by GDP deflator	– 5.3	2.2	1.9	– 1.7	2.0	– 1.4	– 4.5	– 2.9	0.9
Wages and salaries	1.6	13.4	12.5	6.8	8.5	4.8	3.0	9.6	16.7
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	53.3	54.6	55.2	54.0	52.3	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	28.2	28.2	28.2	28.4	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	71.8	71.8	71.8	71.6	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	66.5	66.6	66.5	66.6	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	27.8	27.7	27.8	28.0	:	:	:	:	:
Other indirect costs (as % of total labour costs)	0.4	0.4	0.4	0.4	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	10.1	2.7	8.0	7.1	4.7	1.8	6.2	5.1	5.6
Hourly labour productivity	10.0	4.4	9.3	5.9	1.9	:	:	:	:
GDP	6.4	6.8	10.5	7.0	7.5	4.4	8.5	8.0	8.7
ECFIN NAIRU estimate	14.1	14.1	13.3	11.8	10.0	:	:	:	:
Output gap (%)	– 2.5	– 1.5	2.0	1.8	2.4	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	– 0.5	0.2	– 1.1	2.8	5.9	5.6	6.0	6.0	5.8
Sectoral breakdown of unit labour costs									
Agriculture and fishery	31.3	– 11.9	6.5	10.1	0.2	15.2	4.2	– 9.9	– 5.6
Industry excluding construction	– 8.4	– 0.6	0.0	– 0.3	3.4	7.8	– 0.6	1.8	4.6
of which: manufacturing	– 9.5	– 3.5	4.2	2.3	2.9	:	:	:	:
Construction	– 4.3	9.5	– 2.1	11.3	13.8	13.6	17.7	9.3	15.0
Trade, transport and communication	– 1.2	13.8	1.1	0.2	5.5	2.3	0.1	8.2	11.7
Finance and business services	6.7	9.3	3.7	3.1	11.6	20.6	10.7	10.3	7.0
Non-market-related services	1.4	6.8	2.8	5.7	5.6	5.2	4.1	:	:
Market-related sectors	– 5.5	2.4	1.5	0.2	4.0	4.2	1.5	3.7	7.2
Sectoral breakdown of compensation per employee									
Total industries	7.0	8.9	9.1	8.2	8.8	0.0	0.0	0.0	0.0
Agriculture and fishery	39.8	– 11.2	12.0	23.2	11.8	40.3	19.7	– 1.4	– 3.5
Industry excluding construction	8.3	– 0.2	14.1	13.4	7.8	6.2	8.4	4.1	11.9
of which: manufacturing	6.9	– 6.5	17.1	15.8	11.0	:	:	:	:
Construction	1.6	12.9	4.6	8.0	10.0	– 4.7	26.1	10.2	8.4
Trade, transport and communication	6.9	21.4	7.4	3.8	14.2	5.6	6.8	21.0	23.5
Finance and business services	26.2	– 12.1	11.5	5.6	7.4	28.7	17.2	– 8.8	– 1.9
Non-market-related services	1.3	12.5	6.5	7.2	5.2	2.5	1.0	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	6.5	0.9	5.2	11.9	11.6	21.8	14.8	9.5	2.2
Industry excluding construction	18.2	0.3	14.1	13.8	4.3	– 1.4	9.0	2.3	6.9
of which: manufacturing	18.1	– 2.1	12.4	13.1	7.9	:	:	:	:
Construction	6.2	3.1	6.8	– 3.0	– 3.3	– 16.2	7.1	0.8	– 5.7
Trade, transport and communication	8.2	6.7	6.2	3.6	8.3	3.2	6.7	11.8	10.6
Finance and business services	18.3	– 19.6	7.5	2.4	– 3.8	6.7	5.9	– 17.3	– 8.3
Non-market-related services	– 0.1	5.4	3.6	1.4	– 0.4	– 2.6	– 3.0	0.4	4.5
Market-related sectors	12.9	1.0	8.5	8.5	6.0	3.3	9.1	5.5	5.4

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Luxembourg

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	433	435	442	445	*452*	1.6	%
2. Population (working age: 15-64)		294	295	298	299	*304*	1.7	%
as % of total population		67.9	67.8	67.4	67.2	*67.3*	0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	189	193	194	197	*203*	3.0	%
Male		113	115	113	115	*116*	0.9	%
Female		75	78	81	84	*86*	2.4	%
4. Activity rate (as % of population 15-64)		64.3	65.4	65.1	65.9	*66.8*	0.9	p.p.
Young (15-24)		34.0	36.0	30.0	28.0	*28.8*	0.8	p.p.
Prime age (25-54)		79.6	81.1	81.4	82.9	*83.9*	1.0	p.p.
Older (55-64)		25.6	27.9	29.5	29.5	*34.0*	4.5	p.p.
Male		76.4	77.2	75.3	76.2	*75.8*	– 0.3	p.p.
Young (15-24)		36.0	40.0	28.0	28.0	*30.8*	2.8	p.p.
Prime age (25-54)		94.1	95.1	94.2	95.1	*95.1*	0.0	p.p.
Older (55-64)		33.3	36.4	40.9	36.4	*41.7*	5.3	p.p.
Female		51.7	53.4	54.7	56.4	*57.0*	0.6	p.p.
Young (15-24)		32.0	32.0	28.0	28.0	*26.9*	– 1.1	p.p.
Prime age (25-54)		64.6	67.0	68.3	70.3	*72.5*	2.3	p.p.
Older (55-64)		14.3	18.2	22.7	22.7	*26.1*	3.4	p.p.
5. Employment rate (as % of population 15-64)		62.9	63.4	62.8	62.5	*63.5*	0.9	p.p.
Young (15-24)		32.0	32.0	26.0	24.0	*25.0*	1.0	p.p.
Prime age (25-54)		78.6	79.1	78.9	79.0	*80.5*	1.5	p.p.
Older (55-64)		25.6	27.9	29.5	29.5	*31.9*	2.4	p.p.
Male		75.0	75.2	73.3	72.8	*73.2*	0.4	p.p.
Young (15-24)		36.0	36.0	28.0	28.0	*26.9*	– 1.1	p.p.
Prime age (25-54)		93.1	93.1	92.2	92.2	*93.2*	1.0	p.p.
Older (55-64)		33.3	36.4	40.9	36.4	*37.5*	1.1	p.p.
Female		51.0	51.4	52.0	51.7	*53.6*	2.0	p.p.
Young (15-24)		32.0	28.0	24.0	20.0	*23.1*	3.1	p.p.
Prime age (25-54)		63.6	64.0	65.3	66.3	*68.6*	2.3	p.p.
Older (55-64)		14.3	18.2	22.7	22.7	*26.1*	3.4	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		185	187	187	187	*193*	6	Th.
Male (as % of total)		60.0	59.9	58.8	58.8	*58.0*	– 0.8	p.p.
Female (as % of total)		40.0	40.1	41.2	41.2	*42.0*	0.8	p.p.
7. Employment growth (%) (national accounts)		5.5	2.9	1.8	2.3	*2.9*		p.p.
Employment growth (%) (LFS, age 15-64)		**2.8**	**1.1**	**0.0**	**0.0**	***3.2***		p.p.
Male		**1.8**	**0.9**	**– 1.8**	**0.0**	***1.8***		p.p.
Female		**4.2**	**1.4**	**2.7**	**0.0**	***5.2***		p.p.
8. Self employed (% of total employment)		2.2	2.1	5.9	4.8	*4.7*	– 0.1	p.p.
Male		1.8	2.7	6.4	5.5	*5.4*	– 0.1	p.p.
Female		2.7	1.3	5.2	3.9	*4.9*	1.0	p.p.
9. Temporary employment (as % total)		4.3	4.3	3.2	4.8	*5.3*	0.5	p.p.
Male		3.7	4.0	2.5	4.1	*5.0*	0.9	p.p.
Female		5.3	4.7	4.1	5.8	*5.8*	0.0	p.p.
10. Part-time (as % of total employment)		11.4	11.8	13.4	16.6	*17.6*	1.0	p.p.
Male		1.8	1.8	1.8	2.7	*2.7*	0.0	p.p.
Female		25.7	26.7	29.9	36.4	*38.3*	1.9	p.p.
11. Unemployment rate (harmonised: 15-74)		2.1	2.8	3.7	5.1	*4.5*	0.6	p.p.
Young (15-24)		5.9	11.1	13.3	14.3	*13.3*	– 1.0	p.p.
Prime age (25-54)		1.3	2.5	3.0	4.7	*4.1*	– 0.6	p.p.
Older (55-64)		0.0	0.0	0.0	0.0	*6.3*	6.3	p.p.
Male		1.7	2.1	3.0	3.7	*3.5*	– 0.2	p.p.
Young (15-24)		0.0	10.0	0.0	0.0	*12.5*	12.5	p.p.
Prime age (25-54)		1.0	2.1	2.1	3.1	*2.0*	– 1.0	p.p.
Older (55-64)		0.0	0.0	0.0	0.0	*10.0*	10.0	p.p.
Female		2.7	3.8	4.7	7.0	*5.9*	– 1.1	p.p.
Young (15-24)		0.0	12.5	14.3	28.6	*14.3*	– 14.3	p.p.
Prime age (25-54)		1.6	4.5	4.3	5.6	*5.4*	– 0.2	p.p.
Older (55-64)		0.0	0.0	0.0	0.0	*0.0*	0.0	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		28.4	27.4	24.9	20.8	*26.3*	5.5	p.p.
13. Worked hours (average actual weekly hours)		38.6	38.6	37.8	38.2	*37.9*	– 0.8	%
Male		41.9	41.7	40.7	41.4	*41.2*	– 0.5	%
Female		33.7	33.9	33.4	33.3	*33.0*	– 0.9	%
14. Sectoral employment growth								
Agriculture		– 2.5	0.0	0.0	– 2.6	*1.1*		p.p.
Building and construction		5.0	3.3	1.4	2.1	*3.2*		p.p.
Services		6.5	3.5	2.6	2.7	*3.5*		p.p.
Manufacturing industry		1.5	– 0.9	– 2.4	– 0.3	*0.0*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Luxembourg

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.5	3.9	1.8	4.1	4.6	:	:	:	:
Compensation of employees per hour worked	4.8	4.5	3.3	6.4	4.7	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.2	3.5	4.2	2.6	6.0	6.9	5.8	3.3	7.8
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	6.5	3.2	1.6	2.1	3.5	:	:	:	:
Real unit labour costs deflated by GDP deflator	6.4	0.5	– 3.0	1.1	0.6	:	:	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	60.2	59.9	58.0	59.4	58.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	15.5	15.6	15.6	15.6	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	84.5	84.4	84.4	84.4	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	71.7	71.6	71.6	71.5	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	14.0	14.1	14.1	14.2	:	:	:	:	:
Other indirect costs (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	– 2.9	0.7	0.2	1.9	1.1	:	:	:	:
Hourly labour productivity	– 2.0	1.2	1.5	4.0	1.1	:	:	:	:
GDP	2.5	3.6	2.0	4.2	4.0	1.4	3.6	5.4	5.7
ECFIN NAIRU estimate	3.0	3.4	3.7	4.2	4.6	:	:	:	:
Output gap (%)	1.6	0.7	– 1.6	– 1.5	– 1.5	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	0.1	2.7	4.8	1.0	4.2	2.0	3.3	4.6	6.5
Sectoral breakdown of unit labour costs									
Agriculture and fishery	20.9	– 4.4	20.4	– 0.2	:	26.1	10.8	15.6	4.0
Industry excluding construction	5.4	– 1.9	1.7	– 2.4	:	3.5	3.8	4.0	1.0
of which: manufacturing	7.1	1.1	2.3	– 3.4	0.7	:	:	:	:
Construction	4.8	– 3.7	6.5	6.0	:	14.7	8.4	10.1	0.7
Trade, transport and communication	2.2	3.1	2.2	2.0	:	4.8	2.3	1.4	– 2.1
Finance and business services	9.4	3.2	– 0.5	2.0	:	7.6	5.8	1.4	– 3.3
Non-market-related services	2.9	6.3	3.8	4.3	:	3.7	:	:	:
Market-related sectors	6.0	2.1	1.3	1.9	– 2.9	6.5	4.6	2.3	– 2.0
Sectoral breakdown of compensation per employee									
Total industries	3.3	3.8	1.9	4.0	:	:	:	:	:
Agriculture and fishery	3.6	1.0	6.0	– 0.6	:	4.3	6.9	6.6	1.9
Industry excluding construction	0.5	3.5	6.0	1.5	:	3.7	4.6	4.9	2.9
of which: manufacturing	1.6	4.3	5.3	1.2	3.2	:	:	:	:
Construction	5.0	2.4	4.5	4.4	:	0.2	4.5	4.5	2.7
Trade, transport and communication	4.1	3.7	3.0	4.4	:	4.3	5.3	5.0	3.1
Finance and business services	3.3	3.5	– 1.8	4.4	:	4.5	5.6	5.1	1.5
Non-market-related services	4.1	3.2	2.5	4.0	:	4.6	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 14.3	5.6	– 12.0	– 0.4	– 8.2	– 17.3	– 3.5	– 7.7	– 2.0
Industry excluding construction	– 4.7	5.6	4.2	4.0	0.0	0.2	0.8	0.9	2.0
of which: manufacturing	– 5.1	3.2	2.9	4.7	2.5	:	:	:	:
Construction	0.1	6.3	– 1.8	– 1.5	5.1	– 12.7	– 3.6	– 5.1	2.0
Trade, transport and communication	1.9	0.6	0.8	2.4	3.3	– 0.5	2.9	3.5	5.3
Finance and business services	– 5.5	0.2	– 1.2	2.4	1.1	– 2.9	– 0.1	3.7	4.9
Non-market-related services	1.2	– 3.0	– 1.2	– 0.3	1.5	0.8	2.1	2.7	0.0
Market-related sectors	– 2.5	1.8	0.0	2.5	1.6	– 2.1	0.9	2.8	4.7

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Hungary

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	10 038	10 013	9 980	9 944	*9 932*	– 0.1	%
2. Population (working age: 15-64)		6 852	6 849	6 836	6 826	*6 815*	– 0.2	%
as % of total population		68.3	68.4	68.5	68.6	*68.6*	0.0	p.p.
3. Labour force (15-64)	**1 000 pers.**	4 085	4 090	4 141	4 127	*4 180*	1.3	%
Male		2 246	2 239	2 251	2 239	*2 260*	0.9	%
Female		1 839	1 851	1 891	1 888	*1 920*	1.7	%
4. Activity rate (as % of population 15-64)		59.6	59.7	60.6	60.5	*61.3*	0.9	p.p.
Young (15-24)		34.6	32.6	30.9	27.9	*27.1*	– 0.9	p.p.
Prime age (25-54)		77.1	77.0	77.8	77.9	*78.7*	0.9	p.p.
Older (55-64)		24.2	26.4	29.8	32.1	*34.3*	2.3	p.p.
Male		67.2	67.1	67.6	67.2	*67.9*	0.7	p.p.
Young (15-24)		39.2	35.9	34.6	31.4	*30.3*	– 1.1	p.p.
Prime age (25-54)		84.2	84.3	84.8	85.0	*85.5*	0.5	p.p.
Older (55-64)		35.5	36.9	39.0	39.6	*42.3*	2.7	p.p.
Female		52.4	52.7	53.9	54.0	*55.1*	1.1	p.p.
Young (15-24)		29.9	29.3	27.3	24.3	*23.8*	– 0.6	p.p.
Prime age (25-54)		70.1	69.8	71.0	70.9	*72.1*	1.2	p.p.
Older (55-64)		15.1	18.0	22.4	25.8	*27.7*	1.9	p.p.
5. Employment rate (as % of population 15-64)		56.2	56.2	57.0	56.8	*56.9*	0.2	p.p.
Young (15-24)		30.7	28.5	26.8	23.6	*21.9*	– 1.7	p.p.
Prime age (25-54)		73.1	73.0	73.7	73.6	*73.7*	0.1	p.p.
Older (55-64)		23.5	25.6	29.0	31.0	*33.0*	1.9	p.p.
Male		62.9	62.9	63.5	63.1	*63.1*	0.0	p.p.
Young (15-24)		34.4	31.2	29.8	26.3	*24.4*	– 1.9	p.p.
Prime age (25-54)		79.4	79.8	80.1	80.5	*80.3*	– 0.1	p.p.
Older (55-64)		34.1	35.5	37.8	38.4	*40.5*	2.2	p.p.
Female		49.8	49.8	50.9	50.7	*51.0*	0.3	p.p.
Young (15-24)		26.9	25.8	23.8	20.8	*19.2*	– 1.6	p.p.
Prime age (25-54)		67.0	66.5	67.4	67.0	*67.2*	0.3	p.p.
Older (55-64)		14.8	17.7	21.7	25.0	*26.7*	1.7	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		3 850	3 851	3 897	3 875	*3 879*	4	Th.
Male (as % of total)		54.6	54.5	54.2	54.2	*54.2*	– 0.1	p.p.
Female (as % of total)		45.4	45.4	45.8	45.8	*45.8*	0.1	p.p.
7. Employment growth (%) (national accounts)		0.3	0.0	1.3	– 0.7	*0.0*		p.p.
Employment growth (%) (LFS, age 15-64)		**1.2**	**0.0**	**1.2**	**– 0.6**	***0.1***		p.p.
Male		**0.6**	**– 0.1**	**0.6**	**– 0.5**	***0.0***		p.p.
Female		**1.8**	**0.1**	**2.0**	**– 0.7**	***0.3***		p.p.
8. Self employed (% of total employment)		8.1	7.8	7.6	7.7	*7.3*	– 0.5	p.p.
Male		10.0	9.6	9.4	9.5	*8.8*	– 0.7	p.p.
Female		6.0	5.7	5.4	5.7	*5.5*	– 0.2	p.p.
9. Temporary employment (as % total)		7.4	7.2	7.5	6.8	*7.0*	0.2	p.p.
Male		8.0	7.8	8.3	7.5	*7.5*	0.0	p.p.
Female		6.8	6.6	6.6	6.1	*6.4*	0.4	p.p.
10. Part-time (as % of total employment)		3.1	3.1	3.7	4.4	*3.9*	– 0.5	p.p.
Male		1.8	1.8	2.2	3.0	*2.5*	– 0.5	p.p.
Female		4.7	4.6	5.6	6.0	*5.6*	– 0.4	p.p.
11. Unemployment rate (harmonised: 15-74)		5.7	5.8	5.9	6.1	*7.2*	1.1	p.p.
Young (15-24)		11.3	12.6	13.3	15.6	*19.3*	3.7	p.p.
Prime age (25-54)		5.2	5.2	5.3	5.5	*6.4*	0.9	p.p.
Older (55-64)		2.8	3.2	2.7	3.2	*4.0*	0.8	p.p.
Male		6.3	6.2	6.1	6.1	*7.0*	0.9	p.p.
Young (15-24)		12.2	13.3	13.8	16.3	*19.7*	3.3	p.p.
Prime age (25-54)		5.7	5.4	5.5	5.3	*6.0*	0.7	p.p.
Older (55-64)		3.8	3.9	3.1	3.2	*4.2*	1.0	p.p.
Female		5.0	5.4	5.6	6.1	*7.4*	1.3	p.p.
Young (15-24)		10.1	11.9	13.0	14.4	*19.0*	4.7	p.p.
Prime age (25-54)		4.5	4.8	5.0	5.6	*6.8*	1.2	p.p.
Older (55-64)		1.6	2.0	2.8	3.0	*3.3*	0.3	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		45.3	43.4	41.3	44.0	*45.1*	1.1	p.p.
13. Worked hours (average actual weekly hours)		40.7	41.0	40.8	40.6	*40.3*	– 0.7	%
Male		42.1	42.2	42.3	41.9	*41.5*	– 1.0	%
Female		39.1	39.3	39.1	39.0	*38.8*	– 0.4	%
14. Sectoral employment growth								
Agriculture		– 3.1	– 1.1	– 10.8	– 4.9	*– 4.9*		p.p.
Building and construction		0.0	0.0	10.9	3.1	*1.7*		p.p.
Services		– 0.1	0.5	3.9	0.5	*1.1*		p.p.
Manufacturing industry		2.7	– 0.2	– 3.6	– 3.6	*– 2.8*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Hungary

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	16.1	12.6	9.5	9.8	9.1	:	:	:	:
Compensation of employees per hour worked	19.5	12.9	11.6	8.8	9.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	14.9	13.6	5.8	8.3	7.6	9.2	6.7	6.6	7.6
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	11.6	8.5	7.2	3.7	5.4	:	:	:	:
Real unit labour costs deflated by GDP deflator	3.1	– 0.2	0.6	– 0.4	2.3	:	:	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	61.4	61.0	62.0	62.0	63.1	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	31.4	31.5	30.7	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	68.6	68.5	69.3	9.50p	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	58.7	:	65.8	5.30p	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	28.8	28.5	28.1	7.60p	:	:	:	:	:
Other indirect costs (as % of total labour costs)	2.6	2.9	2.6	2.90p	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	4.1	3.8	2.1	5.9	3.6	3.8	4.6	3.9	4.1
Hourly labour productivity	6.2	3.4	3.5	6.0	3.8	:	:	:	:
GDP	4.3	3.8	3.4	5.2	3.6	3.2	4.5	4.5	4.3
ECFIN NAIRU estimate	5.7	5.4	5.4	5.5	5.9	:	:	:	:
Output gap (%)	– 0.2	– 0.7	– 1.4	– 0.9	– 0.7	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	9.1	5.2	4.7	6.8	3.5	3.5	3.6	3.5	3.2
Underlying inflation (excluding energy and unprocessed food)	:	5.8	4.9	6.4	2.7	3.3	2.8	2.3	2.2
GDP deflator	8.3	8.7	6.7	4.1	2.9	2.3	1.1	3.8	2.6
Sectoral breakdown of unit labour costs									
Agriculture and fishery	– 10.4	20.7	– 12.5	:	:	:	:	:	:
Industry excluding construction	12.3	5.9	– 2.1	:	:	:	:	:	:
of which: manufacturing	9.3	– 1.4	0.7	0.5	2.0	:	:	:	:
Construction	8.9	9.8	0.0	:	:	:	:	:	:
Trade, transport and communication	11.2	5.8	4.5	:	:	:	:	:	:
Finance and business services	17.9	26.1	5.6	:	:	:	:	:	:
Non-market-related services	18.8	28.0	8.0	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	17.7	18.9	4.9	10.7	:	:	:	:	:
Agriculture and fishery	15.5	6.4	– 6.4	:	:	:	:	:	:
Industry excluding construction	10.8	8.1	7.4	:	:	:	:	:	:
of which: manufacturing	9.1	2.0	11.2	9.8	9.1	:	:	:	:
Construction	14.1	23.6	– 12.7	:	:	:	:	:	:
Trade, transport and communication	16.2	11.4	8.6	:	:	:	:	:	:
Finance and business services	21.8	31.7	– 2.9	:	:	:	:	:	:
Non-market-related services	25.1	30.0	4.8	:	:	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	28.8	– 11.8	7.0	64.8	– 17.1	– 6.2	– 8.2	– 18.1	– 6.5
Industry excluding construction	– 1.4	2.0	9.6	8.0	8.8	4.0	10.0	10.0	9.9
of which: manufacturing	– 0.2	3.4	10.5	9.3	7.0	:	:	:	:
Construction	4.7	12.5	– 12.7	0.6	13.1	6.7	13.9	15.1	12.9
Trade, transport and communication	4.5	5.4	3.9	4.5	1.8	3.2	1.8	1.1	2.1
Finance and business services	3.2	4.4	– 8.1	0.8	4.1	4.6	3.6	5.7	4.1
Non-market-related services	5.2	1.6	– 3.0	0.4	2.6	3.5	3.3	2.6	2.0
Market-related sectors	4.0	3.6	3.0	8.5	3.4	3.3	4.7	3.8	4.3

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Malta

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	393	396	399	400	*402*	0.6	%
2. Population (working age: 15-64)		267	269	271	272	*274*	0.6	%
as % of total population		67.9	68.0	68.0	68.0	*68.1*	0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	157	158	159	158	*159*	0.5	%
Male		110	109	109	110	*109*	– 0.5	%
Female		47	49	49	49	*51*	3.6	%
4. Activity rate (as % of population 15-64)		58.8	58.5	58.7	58.2	*58.1*	– 0.1	p.p.
Young (15-24)		64.4	58.8	56.6	55.4	*54.5*	– 0.9	p.p.
Prime age (25-54)		64.3	64.9	65.4	65.2	*65.8*	0.6	p.p.
Older (55-64)		27.5	30.6	33.7	32.9	*31.7*	– 1.2	p.p.
Male		82.1	80.3	80.2	80.2	*79.0*	– 1.2	p.p.
Young (15-24)		66.7	60.7	58.9	60.5	*56.0*	– 4.5	p.p.
Prime age (25-54)		94.1	93.3	93.3	93.3	*93.4*	0.1	p.p.
Older (55-64)		47.4	52.6	54.5	54.5	*55.0*	0.5	p.p.
Female		35.3	36.6	36.6	36.0	*37.1*	1.1	p.p.
Young (15-24)		62.1	56.8	53.8	50.4	*52.9*	2.5	p.p.
Prime age (25-54)		33.7	36.3	36.6	37.1	*37.6*	0.6	p.p.
Older (55-64)		9.5	10.7	13.1	10.7	*11.9*	1.2	p.p.
5. Employment rate (as % of population 15-64)		54.7	54.4	54.2	54.0	*53.9*	– 0.2	p.p.
Young (15-24)		52.5	50.8	47.1	46.3	*45.1*	– 1.2	p.p.
Prime age (25-54)		61.3	61.7	61.8	62.0	*62.3*	0.3	p.p.
Older (55-64)		27.5	30.0	32.5	31.7	*30.5*	– 1.2	p.p.
Male		76.9	74.7	74.5	75.1	*73.7*	– 1.4	p.p.
Young (15-24)		53.3	52.5	48.4	50.0	*48.0*	– 2.0	p.p.
Prime age (25-54)		90.6	88.6	88.1	89.0	*89.0*	0.1	p.p.
Older (55-64)		47.4	51.3	54.5	53.2	*48.8*	– 4.5	p.p.
Female		33.1	33.8	33.6	32.7	*33.6*	0.9	p.p.
Young (15-24)		51.7	49.2	44.4	42.0	*44.5*	2.5	p.p.
Prime age (25-54)		32.5	34.2	34.8	34.7	*35.6*	0.9	p.p.
Older (55-64)		9.5	10.7	13.1	10.7	*13.1*	2.4	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		146	147	147	147	*148*	1	Th.
Male (as % of total)		70.5	69.1	69.0	69.7	*69.0*	– 0.7	p.p.
Female (as % of total)		30.1	30.9	30.8	30.1	*31.0*	0.9	p.p.
7. Employment growth (%) (national accounts)		1.8	– 0.6	–1.0	0.8	*1.6*		p.p.
Employment growth (%) (LFS, age 15-64)		**2.8**	**0.3**	**0.3**	**0.0**	***0.3***		p.p.
Male		**4.0**	**– 1.7**	**0.2**	**1.0**	***– 0.7***		p.p.
Female		**2.3**	**2.8**	**0.0**	**– 2.2**	***3.4***		p.p.
8. Self employed (% of total employment)		8.2	9.6	9.2	9.2	*9.0*	– 0.2	p.p.
Male		9.7	11.9	11.1	11.5	*11.1*	– 0.4	p.p.
Female		4.5	4.4	5.5	4.5	*6.6*	2.0	p.p.
9. Temporary employment (as % total)		4.1	4.2	3.6	3.8	*4.5*	0.6	p.p.
Male		3.2	3.3	3.0	3.0	*3.6*	0.7	p.p.
Female		6.1	6.0	4.8	5.7	*6.2*	0.5	p.p.
10. Part-time (as % of total employment)		6.8	7.8	8.8	8.3	*9.3*	1.0	p.p.
Male		2.9	3.5	3.4	3.9	*4.2*	0.3	p.p.
Female		15.9	18.2	21.0	19.2	*21.3*	2.1	p.p.
11. Unemployment rate (harmonised: 15-74)		7.6	7.5	7.6	7.3	*7.3*	0.0	p.p.
Young (15-24)		18.4	13.5	16.8	16.4	*17.2*	0.7	p.p.
Prime age (25-54)		4.6	5.0	5.6	4.9	*5.3*	0.4	p.p.
Older (55-64)		0.0	2.0	3.6	3.7	*3.8*	0.1	p.p.
Male		6.9	6.6	6.9	6.6	*6.6*	0.0	p.p.
Young (15-24)		20.0	13.5	17.8	17.3	*14.3*	– 3.0	p.p.
Prime age (25-54)		3.8	5.0	5.6	4.7	*4.6*	0.0	p.p.
Older (55-64)		0.0	2.5	0.0	2.4	*11.4*	9.0	p.p.
Female		9.3	9.2	9.1	8.8	*8.8*	0.0	p.p.
Young (15-24)		16.7	13.4	17.5	16.7	*15.9*	– 0.8	p.p.
Prime age (25-54)		3.6	5.7	4.9	6.3	*5.5*	– 0.9	p.p.
Older (55-64)		0.0	0.0	0.0	0.0	*– 10.0*	– 10.0	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		43.3	44.1	41.6	46.7	*46.4*	– 0.3	p.p.
13. Worked hours (average actual weekly hours)		34.6	39.8	37.7	40.0	*39.2*	– 2.1	%
Male		36.5	41.5	39.9	41.6	*41.2*	– 0.8	%
Female		30.2	35.7	32.8	36.2	*34.4*	– 5.0	%
14. Sectoral employment growth								
Agriculture		:	:	:	:	*:*		p.p.
Building and construction		:	:	:	:	*:*		p.p.
Services		:	:	:	:	*:*		p.p.
Manufacturing industry		:	:	:	:	*:*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Malta

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.8	2.2	3.3	1.6	1.4	– 0.3	1.9	0.9	0.5
Compensation of employees per hour worked	8.9	2.7	5.6	– 2.6	4.5	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.1	2.4	3.8	5.3	2.0	:	:	:	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	6.8	1.3	7.0	2.3	0.5	0.2	2.2	1.5	– 1.1
Real unit labour costs deflated by GDP deflator	4.1	0.6	2.5	0.4	– 2.2	0.9	– 1.1	– 4.5	– 3.8
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	58.5	58.3	59.3	61.3	60.3	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	8.9	7.8	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	:	:	91.1	92.2	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	:	:	7.4	7.8	:	:	:	:	:
Other indirect costs (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	– 1.4	0.9	– 3.4	– 0.7	0.9	– 0.6	0.3	2.4	1.6
Hourly labour productivity	1.6	1.4	– 1.0	– 4.7	4.0	:	:	:	:
GDP	0.3	1.5	– 2.5	– 1.5	2.5	1.0	1.7	4.1	2.4
ECFIN NAIRU estimate	7.3	7.4	7.5	7.5	7.4	:	:	:	:
Output gap (%)	2.8	3.5	– 0.4	– 3.1	– 2.3	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	2.5	2.6	1.9	2.7	2.5	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	2.3	2.7	1.9	2.8	2.0	:	:	:	:
GDP deflator	2.1	1.9	4.4	1.6	2.7	0.6	3.3	3.2	2.8
Sectoral breakdown of unit labour costs									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	5.3	0.6	– 1.0	0.9	1.0	0.0	0.0	0.0	0.0
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Netherlands

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	15 837	15 964	16 037	16 119	*16 108*	– 0.1	%
2. Population (working age: 15-64)		10 801	10 871	10 920	10 960	*10 943*	– 0.2	%
as % of total population		68.2	68.1	68.1	68.0	*67.9*	– 0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	8 190	8 319	8 350	8 398	*8 414*	0.2	%
Male		4 610	4 651	4 644	4 651	*4 618*	– 0.7	%
Female		3 579	3 668	3 707	3 747	*3 796*	1.3	%
4. Activity rate (as % of population 15-64)		75.8	76.5	76.5	76.6	*76.9*	0.3	p.p.
Young (15-24)		73.8	73.7	72.9	71.6	*71.0*	– 0.5	p.p.
Prime age (25-54)		84.3	84.8	85.3	85.9	*86.4*	0.5	p.p.
Older (55-64)		40.2	43.3	45.5	46.9	*48.1*	1.2	p.p.
Male		84.3	84.5	84.0	83.9	*83.7*	– 0.2	p.p.
Young (15-24)		74.4	74.4	73.5	72.0	*71.2*	– 0.8	p.p.
Prime age (25-54)		94.0	93.6	93.5	93.7	*93.8*	0.1	p.p.
Older (55-64)		51.9	55.8	58.2	59.1	*59.5*	0.4	p.p.
Female		67.1	68.3	68.7	69.2	*70.0*	0.8	p.p.
Young (15-24)		73.1	73.0	72.3	71.1	*70.8*	– 0.3	p.p.
Prime age (25-54)		74.3	75.8	77.0	77.9	*79.0*	1.0	p.p.
Older (55-64)		28.4	30.6	32.6	34.4	*36.5*	2.1	p.p.
5. Employment rate (as % of population 15-64)		74.1	74.4	73.6	73.1	*73.2*	0.1	p.p.
Young (15-24)		70.4	70.0	68.3	65.9	*65.2*	– 0.7	p.p.
Prime age (25-54)		82.8	82.8	82.6	82.5	*82.9*	0.4	p.p.
Older (55-64)		39.6	42.3	44.3	45.3	*46.1*	0.9	p.p.
Male		82.8	82.4	81.1	80.2	*79.9*	– 0.3	p.p.
Young (15-24)		71.2	70.6	68.9	66.3	*65.5*	– 0.8	p.p.
Prime age (25-54)		92.7	91.8	90.6	90.2	*90.3*	0.0	p.p.
Older (55-64)		51.1	54.6	56.7	56.9	*56.9*	0.0	p.p.
Female		65.3	66.2	66.0	65.8	*66.4*	0.6	p.p.
Young (15-24)		69.5	69.5	67.8	65.4	*64.9*	– 0.5	p.p.
Prime age (25-54)		72.5	73.6	74.4	74.6	*75.5*	0.8	p.p.
Older (55-64)		28.0	29.9	31.8	33.4	*35.2*	1.8	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		8 005	8 089	8 042	8 014	*8 014*	0	Th.
Male (as % of total)		56.5	56.1	55.7	55.5	*55.0*	– 0.5	p.p.
Female (as % of total)		43.5	43.9	44.3	44.5	*45.0*	0.4	p.p.
7. Employment growth (%) (national accounts)		2.1	0.5	– 0.6	– 1.4	*– 0.3*		p.p.
Employment growth (%) (LFS, age 15-64)		**2.4**	**1.0**	**– 0.6**	**– 0.3**	***0.0***		p.p.
Male		**1.5**	**0.2**	**– 1.3**	**– 0.7**	***– 0.8***		p.p.
Female		**3.6**	**2.1**	**0.3**	**0.1**	***1.0***		p.p.
8. Self employed (% of total employment)		7.2	7.1	7.1	7.3	*7.5*	0.2	p.p.
Male		7.8	7.8	8.0	8.1	*8.4*	0.3	p.p.
Female		6.4	6.2	5.9	6.4	*6.5*	0.0	p.p.
9. Temporary employment (as % total)		14.3	14.2	14.4	14.6	*15.4*	0.8	p.p.
Male		11.8	11.9	12.7	13.3	*14.1*	0.9	p.p.
Female		17.4	17.0	16.3	16.3	*16.9*	0.6	p.p.
10. Part-time (as % of total employment)		41.9	43.6	44.6	45.1	*45.7*	0.6	p.p.
Male		19.3	20.5	21.3	21.5	*21.8*	0.3	p.p.
Female		71.2	73.0	74.0	74.6	*75.0*	0.4	p.p.
11. Unemployment rate (harmonised: 15-74)		2.2	2.8	3.7	4.6	*4.7*	0.1	p.p.
Young (15-24)		4.6	5.0	6.3	7.9	*8.2*	0.3	p.p.
Prime age (25-54)		1.8	2.3	3.3	4.0	*4.1*	0.1	p.p.
Older (55-64)		1.5	2.2	2.6	3.5	*4.1*	0.6	p.p.
Male		1.8	2.5	3.5	4.3	*4.4*	0.1	p.p.
Young (15-24)		4.3	5.1	6.3	7.9	*8.1*	0.2	p.p.
Prime age (25-54)		1.4	2.0	3.1	3.7	*3.8*	0.0	p.p.
Older (55-64)		1.5	2.1	2.6	3.8	*4.4*	0.6	p.p.
Female		2.8	3.1	3.9	4.8	*5.1*	0.3	p.p.
Young (15-24)		4.9	4.8	6.3	8.1	*8.4*	0.3	p.p.
Prime age (25-54)		2.4	2.8	3.4	4.2	*4.5*	0.2	p.p.
Older (55-64)		1.5	2.1	2.4	2.9	*3.7*	0.8	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		:	26.0	27.6	34.1	*40.3*	6.2	p.p.
13. Worked hours (average actual weekly hours)		32.1	31.6	31.5	31.5	*31.6*	0.5	%
Male		37.5	36.9	36.8	36.8	*37.0*	0.6	%
Female		24.7	24.7	24.6	24.5	*24.7*	0.6	%
14. Sectoral employment growth								
Agriculture		0.4	0.0	– 2.0	– 2.4	*– 1.8*		p.p.
Building and construction		2.2	– 0.4	– 3.8	– 5.0	*– 2.8*		p.p.
Services		2.6	1.0	0.1	– 0.7	*0.2*		p.p.
Manufacturing industry		– 0.6	– 2.3	– 3.2	– 3.8	*– 3.5*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Netherlands

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	5.0	4.3	3.8	3.1	2.0	2.2	2.2	1.9	1.9
Compensation of employees per hour worked	5.2	5.6	3.7	3.1	1.8	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.3	5.4	4.4	3.3	1.8	2.9	2.8	2.3	0.8
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	5.2	4.8	3.3	0.0	0.6	1.6	0.1	0.2	0.4
Real unit labour costs deflated by GDP deflator	0.1	0.9	0.7	– 0.9	– 1.0	– 0.3	– 1.4	– 1.0	– 1.3
Wages and salaries	5.8	– 0.5	– 1.1	– 0.2	0.1	– 0.4	0.1	0.2	0.5
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	66.2	66.6	67.2	66.8	66.2	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	20.9	22.1	22.6	23.4	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	79.1	77.9	77.4	76.6	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	68.4	67.5	67.0	66.3	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	19.3	20.5	21.0	21.8	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.6	1.6	1.6	1.6	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	– 0.1	– 0.4	0.5	3.2	1.5	0.6	2.1	1.7	1.5
Hourly labour productivity	– 0.1	0.7	0.5	3.3	1.3	:	:	:	:
GDP	1.9	0.1	– 0.1	1.7	1.1	– 0.3	1.6	1.6	1.6
ECFIN NAIRU estimate	2.9	2.9	3.0	3.3	3.5	:	:	:	:
Output gap (%)	2.0	– 0.1	– 1.9	– 1.8	– 2.3	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	5.1	3.8	2.5	0.9	1.6	1.9	1.5	1.1	1.7
Sectoral breakdown of unit labour costs									
Agriculture and fishery	3.8	10.1	– 1.5	– 3.0	– 3.5	– 3.9	– 4.0	– 1.5	– 1.6
Industry excluding construction	– 0.7	1.9	– 1.1	– 2.5	2.6	3.2	0.5	2.9	3.2
of which: manufacturing	4.8	2.6	2.3	– 1.4	1.0	:	:	:	:
Construction	6.0	8.2	5.3	– 1.6	– 1.8	4.2	– 5.8	– 3.3	– 1.8
Trade, transport and communication	1.7	– 3.1	2.6	– 0.3	– 1.2	– 0.1	0.0	– 2.1	– 2.1
Finance and business services	5.1	6.4	2.7	1.3	0.5	0.3	– 0.3	0.9	1.5
Non-market-related services	5.8	4.2	4.1	2.3	1.6	2.1	2.4	1.3	:
Market-related sectors	5.6	2.2	1.6	– 0.6	0.4	1.1	– 0.4	0.0	0.5
Sectoral breakdown of compensation per employee									
Total industries	4.9	4.3	3.8	3.1	2.0	0.0	0.0	0.0	0.0
Agriculture and fishery	– 1.9	8.5	4.7	4.0	– 0.7	0.7	– 1.5	0.3	0.5
Industry excluding construction	4.5	5.2	3.9	3.8	3.2	3.4	3.4	2.9	3.0
of which: manufacturing	4.7	5.1	3.9	3.8	4.2	:	:	:	:
Construction	5.6	5.0	4.9	4.8	3.0	3.4	2.9	2.8	2.8
Trade, transport and communication	4.5	3.2	4.0	3.3	2.5	3.0	2.7	2.5	2.3
Finance and business services	5.8	5.3	4.4	3.1	1.4	1.5	1.7	1.2	1.1
Non-market-related services	5.2	4.0	3.1	2.6	1.5	1.3	1.8	1.6	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 5.5	– 1.5	6.2	7.3	3.0	4.8	2.6	1.8	2.1
Industry excluding construction	5.2	3.2	5.1	6.4	0.5	0.2	2.9	0.0	– 0.2
of which: manufacturing	– 0.1	2.4	1.6	5.2	3.1	:	:	:	:
Construction	– 0.3	– 2.9	– 0.4	6.5	4.9	– 0.8	9.3	6.3	4.7
Trade, transport and communication	2.7	6.5	1.4	3.6	3.7	3.0	2.7	4.7	4.5
Finance and business services	0.7	– 1.1	1.7	1.8	0.8	1.2	2.0	0.3	– 0.4
Non-market-related services	– 0.6	– 0.1	– 0.9	0.3	– 0.1	– 0.8	– 0.6	0.2	1.0
Market-related sectors	2.0	2.2	2.4	4.0	1.9	1.4	2.9	2.1	1.6

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Austria

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	7 963	7 893	7 907	8 045	*8 109*	0.8	%
2. Population (working age: 15-64)		5 404	5 357	5 373	5 485	*5 516*	0.6	%
as % of total population		67.9	67.9	68.0	68.2	*68.0*	– 0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	3 835	3 835	3 871	3 911	*3 994*	2.1	%
Male		2 140	2 111	2 122	2 141	*2 177*	1.7	%
Female		1 695	1 723	1 749	1 770	*1 816*	2.6	%
4. Activity rate (as % of population 15-64)		71.0	71.6	72.0	71.3	*72.4*	1.1	p.p.
Young (15-24)		54.5	55.1	54.9	57.5	*59.2*	1.7	p.p.
Prime age (25-54)		85.5	86.6	87.3	86.3	*86.4*	0.1	p.p.
Older (55-64)		30.1	30.8	31.8	29.9	*33.0*	3.1	p.p.
Male		79.5	79.6	79.8	78.5	*79.3*	0.8	p.p.
Young (15-24)		59.2	59.9	60.1	61.7	*63.6*	1.9	p.p.
Prime age (25-54)		93.7	94.3	94.7	92.9	*92.8*	– 0.1	p.p.
Older (55-64)		42.1	42.2	42.7	40.6	*43.0*	2.4	p.p.
Female		62.5	63.7	64.4	64.2	*65.6*	1.3	p.p.
Young (15-24)		49.7	50.3	49.7	53.3	*54.8*	1.6	p.p.
Prime age (25-54)		77.2	79.0	80.1	79.6	*79.9*	0.4	p.p.
Older (55-64)		18.9	20.1	21.6	19.9	*23.5*	3.7	p.p.
5. Employment rate (as % of population 15-64)		68.4	68.7	69.0	67.8	*68.6*	0.9	p.p.
Young (15-24)		51.4	51.7	51.1	51.9	*53.1*	1.2	p.p.
Prime age (25-54)		82.7	83.6	84.1	82.6	*82.6*	0.0	p.p.
Older (55-64)		28.6	29.1	30.1	28.8	*31.8*	3.0	p.p.
Male		76.7	76.4	76.4	74.9	*75.4*	0.5	p.p.
Young (15-24)		55.8	56.0	55.7	55.9	*56.8*	0.8	p.p.
Prime age (25-54)		90.9	91.1	91.2	89.4	*89.1*	– 0.3	p.p.
Older (55-64)		40.1	39.6	40.2	38.9	*41.4*	2.5	p.p.
Female		60.1	61.3	61.7	60.7	*62.0*	1.3	p.p.
Young (15-24)		47.0	47.4	46.5	47.9	*49.4*	1.5	p.p.
Prime age (25-54)		74.5	76.2	77.1	75.8	*76.1*	0.3	p.p.
Older (55-64)		18.0	19.3	20.6	19.3	*22.9*	3.6	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		3 696	3 682	3 706	3 716	*3 786*	70	Th.
Male (as % of total)		55.9	55.0	54.8	55.0	*54.7*	– 0.3	p.p.
Female (as % of total)		44.1	45.0	45.2	45.0	*45.3*	0.3	p.p.
7. Employment growth (%) (national accounts)		0.6	– 0.1	0.1	0.0	*0.6*		p.p.
Employment growth (%) (LFS, age 15-64)		**0.4**	**– 0.4**	**0.7**	**0.3**	***1.9***		p.p.
Male		**– 0.3**	**– 1.9**	**0.2**	**0.6**	***1.3***		p.p.
Female		**1.4**	**1.6**	**1.2**	**– 0.1**	***2.6***		p.p.
8. Self employed (% of total employment)		5.2	5.2	5.3	7.0	*6.9*	– 0.1	p.p.
Male		5.6	5.5	5.6	7.7	*7.3*	– 0.3	p.p.
Female		4.7	4.8	4.9	6.2	*6.4*	0.2	p.p.
9. Temporary employment (as % total)		8.1	7.5	7.0	9.7	*9.1*	– 0.6	p.p.
Male		7.1	7.6	7.1	10.2	*9.3*	– 0.9	p.p.
Female		9.4	7.3	6.7	9.0	*8.8*	– 0.2	p.p.
10. Part-time (as % of total employment)		16.7	18.4	18.6	19.4	*20.8*	1.4	p.p.
Male		3.8	4.5	4.3	4.5	*5.6*	1.1	p.p.
Female		33.1	35.4	36.0	37.7	*39.1*	1.4	p.p.
11. Unemployment rate (harmonised: 15-74)		3.6	4.2	4.3	4.8	*5.2*	0.4	p.p.
Young (15-24)		5.7	6.2	7.0	9.7	*10.3*	0.6	p.p.
Prime age (25-54)		3.2	3.5	3.7	4.2	*4.4*	0.1	p.p.
Older (55-64)		4.9	5.4	5.5	3.8	*3.5*	– 0.3	p.p.
Male		3.1	4.0	4.0	4.4	*4.9*	0.6	p.p.
Young (15-24)		5.9	6.5	7.4	9.3	*10.8*	1.4	p.p.
Prime age (25-54)		2.9	3.4	3.6	3.8	*4.0*	0.2	p.p.
Older (55-64)		4.9	6.1	5.8	4.1	*3.8*	– 0.3	p.p.
Female		4.2	4.4	4.7	5.3	*5.5*	0.2	p.p.
Young (15-24)		5.3	5.7	6.5	10.1	*9.9*	– 0.1	p.p.
Prime age (25-54)		3.5	3.6	3.8	4.8	*4.9*	0.1	p.p.
Older (55-64)		4.8	3.9	4.5	3.0	*2.6*	– 0.4	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		26.1	27.6	28.9	27.5	*25.2*	– 2.3	p.p.
13. Worked hours (average actual weekly hours)		39.0	38.9	38.4	39.3	*38.7*	– 1.4	%
Male		42.1	42.1	41.7	43.3	*42.7*	– 1.3	%
Female		34.9	34.7	34.3	34.0	*33.5*	– 1.5	%
14. Sectoral employment growth								
Agriculture		– 1.1	– 0.5	– 0.7	– 3.2	*:*		p.p.
Building and construction		– 3.3	– 3.1	0.5	– 1.0	*:*		p.p.
Services		1.5	1.0	0.6	0.9	*:*		p.p.
Manufacturing industry		0.1	– 2.6	– 1.5	– 0.8	*– 1.7*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Austria

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	1.2	2.1	1.9	2.1	2.4	2.5	2.5	2.4	6.4
Compensation of employees per hour worked	1.4	1.8	2.2	2.3	2.8	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	2.5	3.0	2.1	– 0.6	4.0	3.7	4.4	4.2	3.9
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	1.0	1.0	0.6	– 0.3	1.1	0.6	0.9	1.5	1.3
Real unit labour costs deflated by GDP deflator	– 0.8	– 0.3	– 0.8	– 2.2	– 0.9	– 1.9	– 1.1	– 0.2	– 0.5
Wages and salaries	1.0	0.3	1.9	1.3	:	1.8	2.1	2.5	6.4
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	71.9	71.7	70.9	69.4	68.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.2	1.1	1.3	2.5	1.3	1.9	1.5	0.8	5.1
Hourly labour productivity	0.3	1.0	1.3	2.2	1.3	:	:	:	:
GDP	0.8	1.0	1.4	2.4	1.9	1.7	1.8	1.5	2.2
ECFIN NAIRU estimate	4.0	4.2	4.4	4.6	4.9	:	:	:	:
Output gap (%)	0.7	– 0.4	– 1.2	– 0.7	– 1.0	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	2.3	1.7	1.3	2.0	2.1	2.4	2.1	2.2	1.8
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	1.8	1.3	1.4	1.9	2.0	2.5	2.1	1.7	1.7
Sectoral breakdown of unit labour costs									
Agriculture and fishery	– 1.3	– 1.1	3.7	– 10.4	:	10.4	5.4	:	18.4
Industry excluding construction	– 0.7	– 1.5	0.0	– 3.2	:	– 1.5	– 3.0	:	– 2.7
of which: manufacturing	0.2	– 0.3	– 0.1	– 3.5	– 3.2	:	:	:	:
Construction	1.2	– 0.6	– 3.2	0.4	:	2.9	– 1.9	:	1.5
Trade, transport and communication	1.1	– 0.3	0.9	0.4	:	2.9	4.8	:	3.1
Finance and business services	3.2	4.3	0.1	1.5	:	– 0.1	2.6	:	0.8
Non-market-related services	2.2	2.5	2.6	2.2	:	1.8	2.3	:	:
Market-related sectors	0.7	0.6	– 0.1	– 1.2	:	0.3	0.6	:	1.0
Sectoral breakdown of compensation per employee									
Total industries	1.2	2.0	1.9	2.1	:	0.0	0.0	0.0	0.0
Agriculture and fishery	0.0	– 1.3	2.6	– 0.4	6.9	2.7	3.0	3.1	7.1
Industry excluding construction	2.2	2.8	1.5	1.9	:	2.6	2.8	3.0	7.2
of which: manufacturing	2.1	2.8	1.4	1.8	1.9	:	:	:	:
Construction	0.8	3.8	1.4	2.1	:	2.8	2.8	2.9	6.7
Trade, transport and communication	1.5	2.8	1.2	2.0	:	2.5	2.5	2.5	6.3
Finance and business services	1.4	1.8	1.9	2.0	:	2.2	2.4	2.3	6.1
Non-market-related services	0.2	0.6	3.1	2.4	:	2.1	2.1	2.2	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	1.4	– 0.2	– 1.1	11.2	:	– 7.0	– 2.3	:	– 9.6
Industry excluding construction	2.9	4.4	1.5	5.3	:	4.2	6.0	:	10.2
of which: manufacturing	1.9	3.0	1.5	5.6	5.3	:	:	:	:
Construction	– 0.4	4.4	4.8	1.7	:	0.0	4.8	:	5.2
Trade, transport and communication	0.4	3.1	0.3	1.6	:	– 0.4	– 2.2	:	3.2
Finance and business services	– 1.8	– 2.4	1.8	0.5	:	2.3	– 0.2	:	3.4
Non-market-related services	– 2.0	– 1.8	0.6	0.2	:	0.2	– 0.2	:	3.4
Market-related sectors	0.9	2.1	1.5	3.2	:	2.0	1.9	:	5.4

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Poland

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	30 842	31 063	30 953	31 123	*31 258*	0.4	%
2. Population (working age: 15-64)		25 986	26 160	26 030	26 142	*26 211*	0.3	%
as % of total population		84.3	84.2	84.1	84.0	*83.9*	– 0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	17 030	16 894	16 643	16 728	*16 874*	0.9	%
Male		9 171	9 126	9 006	9 077	*9 191*	1.3	%
Female		7 859	7 768	7 638	7 651	*7 682*	0.4	%
4. Activity rate (as % of population 15-64)		65.5	64.6	63.9	64.0	*64.4*	0.4	p.p.
Young (15-24)		39.7	37.8	36.4	35.9	*35.7*	– 0.2	p.p.
Prime age (25-54)		81.9	81.5	81.4	81.9	*82.5*	0.7	p.p.
Older (55-64)		30.2	29.1	30.1	29.6	*30.5*	0.9	p.p.
Male		71.5	70.6	70.0	70.1	*70.8*	0.6	p.p.
Young (15-24)		43.1	41.6	40.5	39.7	*39.5*	– 0.3	p.p.
Prime age (25-54)		87.7	87.2	87.1	87.8	*88.7*	0.9	p.p.
Older (55-64)		39.6	38.7	39.7	39.1	*40.9*	1.8	p.p.
Female		59.7	58.7	58.0	57.9	*58.1*	0.1	p.p.
Young (15-24)		36.4	34.1	32.2	32.0	*31.8*	– 0.2	p.p.
Prime age (25-54)		76.2	75.8	75.8	76.0	*76.4*	0.4	p.p.
Older (55-64)		22.2	20.9	21.9	21.4	*21.5*	0.1	p.p.
5. Employment rate (as % of population 15-64)		53.4	51.5	51.2	51.7	*52.8*	1.1	p.p.
Young (15-24)		24.0	21.7	21.2	21.7	*22.5*	0.8	p.p.
Prime age (25-54)		69.2	67.4	67.5	68.2	*69.6*	1.4	p.p.
Older (55-64)		27.4	26.1	26.9	26.2	*27.2*	1.0	p.p.
Male		59.2	56.9	56.5	57.2	*58.9*	1.7	p.p.
Young (15-24)		26.6	24.2	23.9	24.8	*25.4*	0.6	p.p.
Prime age (25-54)		75.4	73.0	73.0	73.9	*76.1*	2.2	p.p.
Older (55-64)		35.6	34.6	35.2	34.1	*35.9*	1.7	p.p.
Female		47.7	46.2	46.0	46.2	*46.8*	0.6	p.p.
Young (15-24)		21.5	19.3	18.4	18.6	*19.6*	1.0	p.p.
Prime age (25-54)		63.0	61.9	62.1	62.6	*63.1*	0.6	p.p.
Older (55-64)		20.4	19.0	19.8	19.4	*19.7*	0.3	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		13 866	13 471	13 324	13 503	*13 834*	331	Th.
Male (as % of total)		54.8	54.6	54.6	54.8	*55.2*	0.4	p.p.
Female (as % of total)		45.2	45.4	45.4	45.2	*44.8*	– 0.4	p.p.
7. Employment growth (%) (national accounts)		– 2.2	– 3.0	– 1.2	1.3	*2.3*		p.p.
Employment growth (%) (LFS, age 15-64)		**– 2.0**	**– 2.9**	**– 1.1**	**1.3**	***2.4***		p.p.
Male		**– 2.5**	**– 3.2**	**– 1.1**	**1.8**	***3.3***		p.p.
Female		**– 1.5**	**– 2.5**	**– 1.1**	**0.8**	***1.4***		p.p.
8. Self employed (% of total employment)		18.3	18.3	17.4	16.7	*16.0*	– 0.7	p.p.
Male		20.4	20.6	20.3	19.3	*18.6*	– 0.7	p.p.
Female		15.8	15.4	14.0	13.5	*12.8*	– 0.7	p.p.
9. Temporary employment (as % total)		11.7	15.3	19.3	22.6	*25.6*	3.0	p.p.
Male		12.3	16.3	20.7	23.6	*26.4*	2.8	p.p.
Female		10.9	14.3	17.8	21.5	*24.6*	3.1	p.p.
10. Part-time (as % of total employment)		9.2	9.6	9.4	9.8	*9.8*	0.0	p.p.
Male		7.2	7.5	7.2	7.2	*7.0*	– 0.2	p.p.
Female		11.7	12.3	12.1	12.9	*13.3*	0.3	p.p.
11. Unemployment rate (harmonised: 15-74)		18.2	19.9	19.6	19.0	*17.7*	– 1.3	p.p.
Young (15-24)		39.5	42.5	41.8	39.6	*36.9*	– 2.7	p.p.
Prime age (25-54)		15.6	17.3	17.1	16.7	*15.7*	– 1.0	p.p.
Older (55-64)		9.3	10.2	10.7	11.4	*10.8*	– 0.6	p.p.
Male		16.9	19.1	19.0	18.2	*16.6*	– 1.6	p.p.
Young (15-24)		38.2	41.9	40.9	37.7	*35.7*	– 1.9	p.p.
Prime age (25-54)		14.0	16.3	16.2	15.8	*14.3*	– 1.6	p.p.
Older (55-64)		10.1	10.8	11.2	12.6	*12.2*	– 0.4	p.p.
Female		19.8	20.9	20.4	19.9	*19.1*	– 0.8	p.p.
Young (15-24)		41.0	43.3	43.1	41.9	*38.3*	– 3.6	p.p.
Prime age (25-54)		17.3	18.4	18.0	17.7	*17.4*	– 0.3	p.p.
Older (55-64)		8.2	9.2	9.9	9.3	*8.4*	– 0.9	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		50.2	54.8	56.0	54.1	*57.7*	3.6	p.p.
13. Worked hours (average actual weekly hours)		40.3	40.2	40.4	40.4	*40.3*	– 0.2	%
Male		42.4	42.4	42.6	42.7	*42.5*	– 0.4	%
Female		37.6	37.6	37.6	37.5	*37.4*	– 0.2	%
14. Sectoral employment growth								
Agriculture		:	:	:	:	*:*		p.p.
Building and construction		– 10.7	– 8.9	– 8.5	:	*:*		p.p.
Services		1.8	– 1.1	0.1	:	*:*		p.p.
Manufacturing industry		– 5.3	– 4.5	– 1.2	1.5	*1.4*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Poland

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	10.1	2.3	1.8	1.9	0.5	:	:	:	:
Compensation of employees per hour worked	9.9	1.8	2.8	3.0	1.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	19.9	2.2	3.8	3.7	3.9	3.9	2.4	5.1	4.5
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	6.5	– 2.2	– 3.1	– 1.9	– 0.4	:	:	:	:
Real unit labour costs deflated by GDP deflator	2.9	– 4.3	– 3.5	– 5.7	– 3.2	:	:	:	:
Wages and salaries	– 7.8	1.3	2.4	4.2	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	66.4	64.1	61.9	58.1	57.1	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	23.7	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	6.37e	6.76e	:	76.3	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	50.8	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	5.99e	5.49e	:	12.5	:	:	:	:	:
Other indirect costs (as % of total labour costs)	7.64e	7.75e	:	11.2	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	3.4	4.5	5.1	3.9	0.9	1.4	– 0.8	:	:
Hourly labour productivity	4.1	4.3	4.8	4.2	0.9	:	:	:	:
GDP	1.1	1.4	3.8	5.3	3.2	3.7	1.2	3.5	5.0
ECFIN NAIRU estimate	16.0	17.1	17.9	18.3	18.1	:	:	:	:
Output gap (%)	– 0.8	– 2.2	– 1.3	0.7	0.4	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	3.5	2.2	0.4	4.0	2.8	3.6	4.5	1.8	1.5
Sectoral breakdown of unit labour costs									
Agriculture and fishery	42.5	– 12.8	:	:	:	:	:	:	:
Industry excluding construction	11.6	– 10.3	:	:	:	:	:	:	:
of which: manufacturing	– 4.4	– 7.4	– 8.3	– 9.8	2.9	:	:	:	:
Construction	9.8	– 10.6	:	:	:	:	:	:	:
Trade, transport and communication	10.1	– 10.0	:	:	:	:	:	:	:
Finance and business services	19.5	0.1	:	:	:	:	:	:	:
Non-market-related services	16.9	– 3.4	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	15.9	– 3.7	– 10.3	:	:	0.0	0.0	0.0	0.0
Agriculture and fishery	39.1	– 11.6	:	:	:	:	:	:	:
Industry excluding construction	17.1	– 7.0	:	:	:	:	:	:	:
of which: manufacturing	0.2	– 2.0	2.5	1.1	5.9	:	:	:	:
Construction	13.8	– 10.6	:	:	:	:	:	:	:
Trade, transport and communication	18.8	– 3.6	:	:	:	:	:	:	:
Finance and business services	19.8	– 1.3	:	:	:	:	:	:	:
Non-market-related services	9.6	– 0.1	:	:	:	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 2.4	1.3	74.9	6.5	:	:	:	:	:
Industry excluding construction	4.9	3.7	9.6	10.6	:	:	:	:	:
of which: manufacturing	4.8	5.8	11.8	12.1	2.9	:	:	:	:
Construction	3.6	– 0.1	6.1	10.1	:	:	:	:	:
Trade, transport and communication	7.9	7.2	0.8	5.0	:	:	:	:	:
Finance and business services	0.3	– 1.4	1.5	2.2	:	:	:	:	:
Non-market-related services	– 6.3	3.4	5.4	1.0	:	:	:	:	:
Market-related sectors	1.2	3.1	22.6	7.2	:	:	:	:	:

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Portugal

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	10 284	10 357	10 436	10 504	*10 563*	0.6	%
2. Population (working age: 15-64)		6 950	6 993	7 038	7 084	*7 115*	0.4	%
as % of total population		67.6	67.5	67.4	67.4	*67.4*	– 0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	5 009	5 082	5 133	5 170	*5 222*	1.0	%
Male		2 718	2 753	2 759	2 768	*2 778*	0.4	%
Female		2 290	2 329	2 374	2 403	*2 443*	1.7	%
4. Activity rate (as % of population 15-64)		72.1	72.7	72.9	73.0	*73.4*	0.4	p.p.
Young (15-24)		47.3	47.7	45.4	43.8	*43.0*	– 0.8	p.p.
Prime age (25-54)		85.3	85.3	85.9	86.3	*87.1*	0.8	p.p.
Older (55-64)		51.9	53.4	54.0	53.2	*53.8*	0.6	p.p.
Male		79.6	80.0	79.6	79.1	*79.0*	– 0.1	p.p.
Young (15-24)		52.4	53.0	49.2	47.9	*46.9*	– 1.0	p.p.
Prime age (25-54)		92.6	92.5	92.3	92.2	*92.4*	0.3	p.p.
Older (55-64)		63.6	64.3	65.2	62.8	*62.4*	– 0.4	p.p.
Female		64.8	65.5	66.5	67.0	*67.9*	0.9	p.p.
Young (15-24)		42.1	42.3	41.5	39.5	*38.9*	– 0.6	p.p.
Prime age (25-54)		78.2	78.4	79.7	80.6	*81.8*	1.2	p.p.
Older (55-64)		41.5	43.8	44.1	44.8	*46.1*	1.3	p.p.
5. Employment rate (as % of population 15-64)		69.0	68.8	68.1	67.8	*67.5*	– 0.4	p.p.
Young (15-24)		42.9	42.2	38.8	37.1	*36.1*	– 1.0	p.p.
Prime age (25-54)		82.3	81.5	80.9	81.1	*80.8*	– 0.3	p.p.
Older (55-64)		50.2	51.4	51.7	50.3	*50.5*	0.2	p.p.
Male		77.0	76.5	75.0	74.2	*73.4*	– 0.8	p.p.
Young (15-24)		48.7	47.8	43.1	41.4	*40.5*	– 0.9	p.p.
Prime age (25-54)		90.1	89.2	87.8	87.4	*86.7*	– 0.7	p.p.
Older (55-64)		61.6	61.9	62.1	59.0	*58.2*	– 0.9	p.p.
Female		61.3	61.4	61.4	61.6	*61.7*	0.0	p.p.
Young (15-24)		37.0	36.5	34.5	32.5	*31.4*	– 1.1	p.p.
Prime age (25-54)		74.7	74.0	74.3	74.9	*74.9*	0.0	p.p.
Older (55-64)		40.2	42.2	42.4	42.5	*43.7*	1.1	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		4 796	4 812	4 792	4 806	*4 800*	– 7	Th.
Male (as % of total)		54.8	54.7	54.2	54.0	*53.8*	– 0.2	p.p.
Female (as % of total)		45.2	45.3	45.8	46.0	*46.2*	0.2	p.p.
7. Employment growth (%) (national accounts)		1.7	0.4	– 0.4	0.1	*0.0*		p.p.
Employment growth (%) (LFS, age 15-64)		**1.5**	**0.3**	**– 0.4**	**0.3**	***– 0.1***		p.p.
Male		**1.3**	**0.2**	**– 1.3**	**– 0.1**	***– 0.6***		p.p.
Female		**1.8**	**0.5**	**0.6**	**0.8**	***0.4***		p.p.
8. Self employed (% of total employment)		15.4	15.1	15.1	14.4	*14.1*	– 0.3	p.p.
Male		15.0	14.7	14.6	14.1	*13.6*	– 0.6	p.p.
Female		15.9	15.5	15.7	14.7	*14.7*	0.1	p.p.
9. Temporary employment (as % total)		20.3	21.5	20.6	19.9	*19.6*	– 0.3	p.p.
Male		18.4	19.9	19.0	18.7	*18.7*	0.0	p.p.
Female		22.6	23.5	22.4	21.2	*20.5*	– 0.8	p.p.
10. Part-time (as % of total employment)		8.0	8.3	8.7	8.2	*8.1*	– 0.1	p.p.
Male		3.6	4.1	4.2	3.9	*3.8*	– 0.2	p.p.
Female		13.4	13.3	14.0	13.3	*13.2*	0.0	p.p.
11. Unemployment rate (harmonised: 15-74)		4.0	5.0	6.3	6.7	*7.6*	0.9	p.p.
Young (15-24)		9.4	11.6	14.5	15.3	*16.0*	0.8	p.p.
Prime age (25-54)		3.5	4.5	5.8	6.0	*7.3*	1.2	p.p.
Older (55-64)		3.2	3.7	4.3	5.6	*6.2*	0.6	p.p.
Male		3.2	4.1	5.4	5.9	*6.7*	0.8	p.p.
Young (15-24)		7.1	9.7	12.3	13.5	*13.6*	0.1	p.p.
Prime age (25-54)		2.6	3.5	4.9	5.1	*6.2*	1.0	p.p.
Older (55-64)		3.2	3.6	4.8	6.0	*6.8*	0.7	p.p.
Female		5.0	6.0	7.2	7.6	*8.7*	1.1	p.p.
Young (15-24)		12.2	13.9	16.9	17.7	*19.1*	1.4	p.p.
Prime age (25-54)		4.5	5.6	6.7	7.1	*8.4*	1.4	p.p.
Older (55-64)		3.1	3.5	3.8	5.0	*5.2*	0.2	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		38.0	34.8	34.9	44.2	*48.1*	3.9	p.p.
13. Worked hours (average actual weekly hours)		38.8	38.6	38.2	38.4	*38.4*	0.1	%
Male		40.5	40.5	40.0	40.2	*40.2*	0.0	%
Female		36.6	36.4	36.0	36.1	*36.3*	0.3	%
14. Sectoral employment growth								
Agriculture		0.0	0.7	2.7	:	*:*		p.p.
Building and construction		– 1.0	– 1.4	– 3.0	:	*:*		p.p.
Services		3.1	1.4	– 0.3	:	*:*		p.p.
Manufacturing industry		0.3	– 1.9	– 0.8	– 4.7	*– 4.5*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Portugal

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	5.3	4.4	3.1	2.4	2.9	:	:	:	:
Compensation of employees per hour worked	5.2	4.5	4.0	2.0	3.0	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.4	5.4	2.4	3.3	2.0	2.7	1.5	2.7	1.7
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	5.1	4.0	3.9	1.4	2.6	:	:	:	:
Real unit labour costs deflated by GDP deflator	1.3	0.1	1.1	– 1.3	– 0.2	:	:	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	71.4	71.8	73.1	72.2	72.9	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	20.1	20.1	20.1	20.1	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	79.9	79.9	79.9	79.9	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	71.3	71.3	71.3	71.3	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	19.4	19.4	19.4	19.4	:	:	:	:	:
Other indirect costs (as % of total labour costs)	0.7	0.7	0.7	0.7	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.3	0.4	– 0.7	1.0	0.3	:	:	:	:
Hourly labour productivity	0.1	0.2	0.4	0.0	0.5	:	:	:	:
GDP	2.0	0.8	– 1.1	1.1	0.3	:	:	:	:
ECFIN NAIRU estimate	5.3	5.6	6.0	6.2	6.7	:	:	:	:
Output gap (%)	2.8	1.6	– 0.9	– 1.2	– 1.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	3.7	3.9	2.7	2.8	2.7	:	:	:	:
Sectoral breakdown of unit labour costs									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	5.0	3.4	1.9	1.9	– 0.6	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	– 1.4	4.2	:	:	:	:	:	:	:
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	5.5	4.1	2.4	9.1	2.9	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	0.5	0.6	0.5	7.0	3.6	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Slovenia

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	1 992	1 995	1 996	1 997	*2 000*	0.2	%
2. Population (working age: 15-64)		1 399	1 401	1 405	1 405	*1 402*	– 0.2	%
as % of total population		70.3	70.2	70.4	70.4	*70.1*	– 0.3	p.p.
3. Labour force (15-64)	**1 000 pers.**	953	950	943	981	*991*	1.0	%
Male		517	515	513	531	*535*	0.9	%
Female		437	435	430	451	*456*	1.2	%
4. Activity rate (as % of population 15-64)		68.1	67.8	67.1	69.8	*70.7*	0.9	p.p.
Young (15-24)		37.2	36.7	35.2	40.3	*40.5*	0.2	p.p.
Prime age (25-54)		88.0	88.1	87.5	88.6	*88.8*	0.2	p.p.
Older (55-64)		26.6	25.3	24.2	29.9	*32.1*	2.2	p.p.
Male		72.9	72.6	72.0	74.5	*75.1*	0.6	p.p.
Young (15-24)		40.5	40.4	39.8	45.0	*44.6*	– 0.3	p.p.
Prime age (25-54)		91.1	91.2	90.6	91.0	*91.1*	0.1	p.p.
Older (55-64)		37.5	36.7	34.5	42.5	*45.2*	2.7	p.p.
Female		63.3	63.0	62.1	65.0	*66.1*	1.1	p.p.
Young (15-24)		33.6	32.5	30.4	35.5	*36.4*	0.9	p.p.
Prime age (25-54)		84.6	84.9	84.3	86.1	*86.4*	0.3	p.p.
Older (55-64)		16.0	14.5	15.1	18.0	*18.7*	0.6	p.p.
5. Employment rate (as % of population 15-64)		63.8	63.4	62.6	65.3	*66.0*	0.7	p.p.
Young (15-24)		30.5	30.5	29.1	33.8	*34.1*	0.3	p.p.
Prime age (25-54)		83.6	83.4	82.5	83.8	*83.8*	– 0.1	p.p.
Older (55-64)		25.3	24.4	23.4	29.1	*30.7*	1.5	p.p.
Male		68.6	68.2	67.3	70.0	*70.4*	0.4	p.p.
Young (15-24)		34.2	34.5	33.6	38.8	*37.9*	– 0.9	p.p.
Prime age (25-54)		87.0	86.7	85.6	86.4	*86.3*	– 0.1	p.p.
Older (55-64)		35.6	35.2	33.3	40.9	*43.4*	2.5	p.p.
Female		58.8	58.6	57.6	60.5	*61.3*	0.9	p.p.
Young (15-24)		26.7	26.5	24.1	28.6	*29.7*	1.0	p.p.
Prime age (25-54)		80.1	80.0	79.3	81.2	*81.2*	0.0	p.p.
Older (55-64)		15.8	14.3	14.4	17.8	*18.4*	0.6	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		893	889	879	918	*925*	8	Th.
Male (as % of total)		54.5	54.4	54.5	54.3	*54.2*	– 0.1	p.p.
Female (as % of total)		45.5	45.6	45.4	45.7	*45.7*	0.1	p.p.
7. Employment growth (%) (national accounts)		0.5	1.5	– 0.2	0.4	*0.7*		p.p.
Employment growth (%) (LFS, age 15-64)		**1.7**	**– 0.4**	**– 1.1**	**4.4**	***0.8***		p.p.
Male		**2.5**	**– 0.6**	**– 1.0**	**4.1**	***0.6***		p.p.
Female		**0.8**	**– 0.2**	**– 1.4**	**4.9**	***1.0***		p.p.
8. Self employed (% of total employment)		7.1	6.9	6.1	5.9	*6.1*	0.2	p.p.
Male		9.7	9.3	8.4	7.7	*8.2*	0.5	p.p.
Female		4.0	3.9	3.6	3.6	*3.6*	0.0	p.p.
9. Temporary employment (as % total)		12.9	14.1	13.6	17.6	*17.2*	– 0.4	p.p.
Male		12.0	12.4	12.4	16.4	*15.4*	– 1.0	p.p.
Female		14.0	16.0	14.9	18.9	*19.2*	0.3	p.p.
10. Part-time (as % of total employment)		5.4	5.3	5.5	7.9	*7.8*	– 0.1	p.p.
Male		4.4	4.2	4.4	6.5	*6.1*	– 0.4	p.p.
Female		6.5	6.7	6.8	9.6	*9.9*	0.3	p.p.
11. Unemployment rate (harmonised: 15-74)		6.2	6.3	6.7	6.3	*6.5*	0.2	p.p.
Young (15-24)		18.2	16.8	17.3	16.1	*15.9*	– 0.2	p.p.
Prime age (25-54)		4.9	5.3	5.7	5.4	*5.6*	0.2	p.p.
Older (55-64)		4.8	3.6	3.3	2.6	*4.6*	2.0	p.p.
Male		5.6	5.9	6.3	5.8	*6.1*	0.3	p.p.
Young (15-24)		15.6	14.6	15.5	13.7	*15.1*	1.4	p.p.
Prime age (25-54)		4.5	5.0	5.6	5.0	*5.2*	0.2	p.p.
Older (55-64)		5.2	3.9	3.5	3.8	*4.0*	0.2	p.p.
Female		6.8	6.8	7.1	6.8	*7.0*	0.2	p.p.
Young (15-24)		20.5	18.3	20.7	19.4	*18.5*	– 0.9	p.p.
Prime age (25-54)		5.4	5.8	6.0	5.8	*6.1*	0.3	p.p.
Older (55-64)		1.4	1.5	4.3	1.2	*1.2*	0.0	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		60.4	55.6	53.0	51.4	*47.5*	– 4.0	p.p.
13. Worked hours (average actual weekly hours)		40.8	40.8	40.8	40.2	*40.2*	0.0	%
Male		41.6	41.7	41.8	41.3	*41.4*	0.3	%
Female		39.7	39.7	39.6	38.9	*38.7*	– 0.6	%
14. Sectoral employment growth								
Agriculture		– 3.3	– 2.6	– 1.8	– 2.4	*– 2.0*		p.p.
Building and construction		0.0	– 1.0	– 0.1	– 0.5	*4.7*		p.p.
Services		1.6	4.9	1.2	1.9	*2.1*		p.p.
Manufacturing industry		0.4	– 1.9	– 2.2	– 0.9	*– 1.9*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Slovenia

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	11.6	8.5	7.8	7.7	5.0	:	:	:	:
Compensation of employees per hour worked	11.8	11.9	7.6	10.7	4.2	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	13.0	4.2	8.1	7.3	5.0	5.8	4.0	3.0	7.2
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	9.2	6.5	9.2	6.3	1.8	:	:	:	:
Real unit labour costs deflated by GDP deflator	0.4	– 1.3	– 1.0	0.6	0.8	:	:	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	75.8	75.3	74.4	74.7	75.3	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	19.2	19.4	19.3	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	80.8	80.6	80.7	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	65.4	65.2	65.3	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	14.5	14.6	14.3	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	4.7	4.8	5.0	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	2.2	1.9	2.9	3.7	3.1	2.2	4.6	2.8	2.9
Hourly labour productivity	1.8	5.1	2.5	6.5	2.1	:	:	:	:
GDP	2.7	3.5	2.7	4.2	3.9	2.8	5.4	3.6	3.7
ECFIN NAIRU estimate	6.4	6.2	6.1	6.0	6.0	:	:	:	:
Output gap (%)	– 0.3	– 0.5	– 1.6	– 1.1	– 0.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	8.6	7.5	5.7	3.7	2.5	2.8	2.2	2.3	2.6
Underlying inflation (excluding energy and unprocessed food)	7.4	8.4	6.3	3.7	1.3	2.0	1.4	0.7	1.2
GDP deflator	8.7	7.9	5.8	3.2	1.0	1.6	1.9	0.3	0.2
Sectoral breakdown of unit labour costs									
Agriculture and fishery	0.2	– 4.4	14.7	– 6.4	:	:	:	:	:
Industry excluding construction	0.7	– 0.9	– 1.4	0.7	:	:	:	:	:
of which: manufacturing	6.4	2.4	1.7	2.9	– 0.5	:	:	:	:
Construction	2.9	5.3	2.3	8.6	:	:	:	:	:
Trade, transport and communication	2.7	5.1	– 0.7	4.1	:	:	:	:	:
Finance and business services	5.5	11.5	1.6	2.7	:	:	:	:	:
Non-market-related services	6.3	1.7	2.6	2.0	:	:	:	:	:
Market-related sectors	:	:	:	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	5.8	4.7	4.2	5.3	:	:	:	:	:
Agriculture and fishery	– 0.1	11.5	– 2.3	6.8	:	:	:	:	:
Industry excluding construction	5.5	5.7	4.4	6.1	:	:	:	:	:
of which: manufacturing	11.1	9.4	8.1	8.2	4.7	:	:	:	:
Construction	0.6	7.5	6.0	9.6	:	:	:	:	:
Trade, transport and communication	5.3	7.9	3.1	6.4	:	:	:	:	:
Finance and business services	5.7	– 5.3	3.1	4.3	:	:	:	:	:
Non-market-related services	7.4	3.7	3.5	3.3	:	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 0.3	16.6	– 14.9	14.1	– 1.7	– 1.2	– 1.9	– 2.2	– 1.7
Industry excluding construction	4.8	6.7	5.9	5.3	4.3	1.3	6.0	4.0	7.2
of which: manufacturing	4.4	6.8	6.3	5.2	5.2	:	:	:	:
Construction	– 2.3	2.0	3.6	0.9	– 0.7	– 1.9	6.1	– 4.2	– 3.1
Trade, transport and communication	2.5	2.7	3.8	2.2	3.3	2.9	3.5	3.3	3.8
Finance and business services	0.2	– 15.0	1.4	1.6	0.4	2.5	1.5	1.1	– 0.2
Non-market-related services	1.0	2.0	0.8	1.2	1.8	1.2	2.2	2.1	0.9
Market-related sectors	3.2	2.6	3.4	4.3	3.0	2.2	4.4	2.6	3.7

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Slovak Republic

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	5 379	5 384	5 389	5 370	*5 380*	0.2	%
2. Population (working age: 15-64)		3 723	3 728	3 733	3 792	*3 824*	0.9	%
as % of total population		69.2	69.2	69.3	70.6	*71.1*	0.5	p.p.
3. Labour force (15-64)	**1 000 pers.**	2 623	2 605	2 614	2 643	*2 636*	– 0.2	%
Male		1 421	1 413	1 417	1 437	*1 452*	1.0	%
Female		1201	1 192	1 198	1 205	*1 184*	– 1.7	%
4. Activity rate (as % of population 15-64)		70.4	69.9	70.0	69.7	*68.9*	– 0.8	p.p.
Young (15-24)		45.5	43.3	41.1	39.3	*36.6*	– 2.7	p.p.
Prime age (25-54)		89.0	88.6	89.5	88.9	*88.0*	– 1.0	p.p.
Older (55-64)		25.4	26.9	28.5	31.7	*35.0*	3.3	p.p.
Male		77.4	76.7	76.7	76.5	*76.5*	– 0.1	p.p.
Young (15-24)		49.8	47.5	44.9	42.9	*40.8*	– 2.1	p.p.
Prime age (25-54)		94.0	93.4	94.1	93.8	*93.8*	0.0	p.p.
Older (55-64)		43.2	46.2	48.1	51.7	*55.0*	3.3	p.p.
Female		63.7	63.2	63.5	63.0	*61.5*	– 1.5	p.p.
Young (15-24)		41.3	39.2	37.2	35.7	*32.5*	– 3.3	p.p.
Prime age (25-54)		83.9	83.9	84.8	84.1	*82.1*	– 1.9	p.p.
Older (55-64)		10.8	11.0	12.4	14.7	*18.1*	3.4	p.p.
5. Employment rate (as % of population 15-64)		56.8	56.8	57.7	57.0	*57.7*	0.8	p.p.
Young (15-24)		27.7	27.0	27.4	26.3	*25.6*	– 0.7	p.p.
Prime age (25-54)		74.8	75.0	76.0	74.7	*75.3*	0.6	p.p.
Older (55-64)		22.3	22.8	24.6	26.8	*30.3*	3.5	p.p.
Male		62.0	62.4	63.3	63.2	*64.6*	1.4	p.p.
Young (15-24)		28.8	28.7	29.3	27.9	*28.0*	0.1	p.p.
Prime age (25-54)		79.0	79.5	80.5	80.0	*81.4*	1.4	p.p.
Older (55-64)		37.7	39.0	41.1	43.8	*47.9*	4.0	p.p.
Female		51.8	51.4	52.2	50.9	*50.9*	0.0	p.p.
Young (15-24)		26.6	25.3	25.4	24.6	*23.1*	– 1.5	p.p.
Prime age (25-54)		70.6	70.6	71.5	69.3	*69.1*	– 0.2	p.p.
Older (55-64)		9.8	9.6	11.2	12.6	*15.6*	3.0	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		2 116	2 118	2 155	2 160	*2 207*	47	Th.
Male (as % of total)		53.8	54.2	54.3	54.9	*55.6*	0.7	p.p.
Female (as % of total)		46.2	45.8	45.7	45.1	*44.4*	– 0.7	p.p.
7. Employment growth (%) (national accounts)		0.6	– 0.5	1.8	– 0.3	*2.1*		p.p.
Employment growth (%) (LFS, age 15-64)		**0.9**	**0.1**	**1.7**	**0.2**	***2.2***		p.p.
Male		**0.5**	**0.9**	**1.8**	**1.4**	***3.4***		p.p.
Female		**1.4**	**– 0.8**	**1.7**	**– 1.1**	***0.6***		p.p.
8. Self employed (% of total employment)		5.6	6.1	6.8	8.5	*9.3*	0.8	p.p.
Male		7.8	8.4	9.1	11.4	*12.8*	1.4	p.p.
Female		3.0	3.3	4.1	5.0	*5.0*	0.0	p.p.
9. Temporary employment (as % total)		4.8	4.7	4.7	5.4	*4.9*	– 0.5	p.p.
Male		4.9	5.0	5.0	5.8	*5.0*	– 0.8	p.p.
Female		4.6	4.4	4.4	4.9	*4.8*	– 0.2	p.p.
10. Part-time (as % of total employment)		2.2	1.8	2.2	2.5	*2.4*	– 0.1	p.p.
Male		1.2	1.0	1.1	1.3	*1.2*	– 0.1	p.p.
Female		3.5	2.7	3.6	4.0	*3.9*	– 0.1	p.p.
11. Unemployment rate (harmonised: 15-74)		19.3	18.7	17.6	18.2	*16.4*	– 1.9	p.p.
Young (15-24)		39.2	37.7	33.3	33.1	*30.1*	– 3.0	p.p.
Prime age (25-54)		15.9	15.4	15.1	16.1	*14.5*	– 1.6	p.p.
Older (55-64)		12.3	15.1	13.7	15.4	*13.3*	– 2.1	p.p.
Male		19.8	18.6	17.4	17.4	*15.5*	– 1.9	p.p.
Young (15-24)		42.1	39.6	34.8	34.8	*31.2*	– 3.6	p.p.
Prime age (25-54)		16.0	14.9	14.5	14.7	*13.3*	– 1.5	p.p.
Older (55-64)		12.8	15.7	14.6	15.3	*13.0*	– 2.3	p.p.
Female		18.7	18.7	17.7	19.2	*17.2*	– 2.0	p.p.
Young (15-24)		35.6	35.4	31.6	31.0	*28.9*	– 2.2	p.p.
Prime age (25-54)		15.8	15.9	15.7	17.6	*15.8*	– 1.7	p.p.
Older (55-64)		8.9	12.3	9.3	14.1	*13.5*	– 0.6	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		58.6	65.3	65.2	64.8	*72.1*	7.3	p.p.
13. Worked hours (average actual weekly hours)		41.6	40.8	40.6	40.8	*41.0*	0.5	%
Male		42.6	41.6	41.4	41.8	*42.0*	0.6	%
Female		40.4	39.9	39.6	39.5	*39.7*	0.5	%
14. Sectoral employment growth								
Agriculture		– 3.8	– 7.1	– 9.6	– 11.8	*:*		p.p.
Building and construction		– 3.9	0.5	4.0	1.3	*:*		p.p.
Services		2.0	0.5	3.1	0.1	*:*		p.p.
Manufacturing industry		0.1	– 1.8	1.1	0.8	*0.8*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Slovak Republic

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	6.3	9.3	6.0	10.8	5.0	3.9	4.4	5.9	6.1
Compensation of employees per hour worked	6.5	12.1	9.4	4.1	3.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	7.4	16.2	10.0	5.5	9.9	9.8	9.0	10.9	10.2
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	3.0	3.9	3.3	4.6	1.1	0.9	1.2	1.2	1.3
Real unit labour costs deflated by GDP deflator	– 1.1	– 0.1	– 1.3	0.0	– 1.3	– 1.7	– 1.5	– 0.8	– 0.9
Wages and salaries	6.5	10.4	10.4	9.7	10.0	10.0	7.7	9.7	11.9
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	49.6	50.0	49.0	49.4	48.9	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	27.5	:	26.4	26.3	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	72.5	3.59b	73.6	73.7	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	62.2	2.62b	61.9	62.8	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	26.3	5.39b	25.5	25.1	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.2	1.02b	0.9	1.2	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	3.2	5.2	2.6	5.9	3.8	3.0	3.2	4.6	4.8
Hourly labour productivity	3.9	8.3	7.1	1.9	2.8	:	:	:	:
GDP	3.8	4.6	4.5	5.5	6.0	5.4	5.4	6.3	7.4
ECFIN NAIRU estimate	19.4	19.0	17.1	15.9	15.1	:	:	:	:
Output gap (%)	– 0.9	– 1.0	– 2.4	– 2.4	– 1.6	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	7.2	3.5	8.4	7.5	2.8	2.8	2.6	2.2	3.7
Underlying inflation (excluding energy and unprocessed food)	6.0	4.5	7.4	6.5	1.7	2.6	1.8	1.2	1.2
GDP deflator	4.2	4.0	4.7	4.6	2.4	2.6	2.7	1.9	2.2
Sectoral breakdown of unit labour costs									
Agriculture and fishery	– 7.5	– 16.9	6.4	10.5	– 10.6	– 9.7	– 14.7	– 1.3	– 9.1
Industry excluding construction	3.9	8.0	– 4.5	4.0	7.0	– 1.0	1.6	– 5.2	– 4.9
of which: manufacturing	– 4.0	9.6	4.1	– 0.6	– 2.8	– 0.2	– 3.9	– 4.4	– 10.1
Construction	9.3	– 18.8	29.5	15.0	0.3	5.9	– 2.7	– 2.8	– 7.9
Trade, transport and communication	– 6.9	25.2	10.0	7.7	3.5	17.1	4.7	7.7	2.7
Finance and business services	7.7	– 5.9	5.9	8.3	29.9	– 4.4	4.9	5.7	36.1
Non-market-related services	– 4.2	9.5	24.0	16.2	11.8	7.1	7.0	:	:
Market-related sectors	3.4	3.5	3.8	2.9	2.8	3.4	1.9	1.6	4.2
Sectoral breakdown of compensation per employee									
Total industries	4.5	10.9	11.2	13.1	11.8	0.0	0.0	0.0	0.0
Agriculture and fishery	9.0	3.7	19.0	25.6	1.7	8.2	2.4	4.8	1.5
Industry excluding construction	10.0	11.2	14.7	8.9	15.3	4.9	4.6	4.2	6.0
of which: manufacturing	6.8	9.3	9.2	10.3	5.5	5.7	4.6	4.4	5.8
Construction	4.0	1.9	18.3	13.4	5.6	0.7	– 0.8	4.7	5.5
Trade, transport and communication	– 3.3	10.0	7.1	18.7	4.9	8.8	10.1	11.9	7.4
Finance and business services	0.3	14.0	– 0.8	3.8	28.7	10.0	7.3	7.3	8.1
Non-market-related services	6.3	13.0	13.1	14.4	9.1	3.2	4.4	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	17.8	24.8	11.8	13.6	13.8	19.8	20.0	6.3	11.6
Industry excluding construction	5.8	2.9	20.0	4.8	7.7	6.0	2.9	9.9	11.5
of which: manufacturing	11.3	– 0.3	5.0	11.0	8.6	6.0	8.9	9.1	17.8
Construction	– 4.9	25.4	– 8.6	– 1.4	5.2	– 4.9	2.0	7.6	14.6
Trade, transport and communication	3.9	– 12.1	– 2.6	10.3	1.3	– 7.1	5.1	3.9	4.6
Finance and business services	– 6.9	21.1	– 6.3	– 4.2	– 0.9	15.1	2.3	1.5	– 20.6
Non-market-related services	11.0	3.2	– 8.8	– 1.6	– 2.5	– 3.6	– 2.5	– 2.3	– 1.6
Market-related sectors	3.2	3.4	5.3	5.0	4.0	3.4	4.5	5.6	2.6

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Finland

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	5 166	5 180	5 193	5 205	*5 225*	0.4	%
2. Population (working age: 15-64)		3 450	3 458	3 464	3 467	*3 476*	0.3	%
as % of total population		66.8	66.8	66.7	66.6	*66.5*	– 0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	2 588	2 592	2 580	2 574	*2 597*	0.9	%
Male		1 344	1 339	1 337	1 332	*1 338*	0.5	%
Female		1 243	1 253	1 243	1 242	*1 259*	1.3	%
4. Activity rate (as % of population 15-64)		75.0	74.9	74.5	74.2	*74.7*	0.5	p.p.
Young (15-24)		52.1	51.4	50.7	49.7	*50.7*	0.9	p.p.
Prime age (25-54)		88.0	88.0	87.5	87.4	*87.7*	0.3	p.p.
Older (55-64)		50.3	52.1	53.7	54.9	*56.6*	1.7	p.p.
Male		77.6	77.0	76.8	76.4	*76.6*	0.1	p.p.
Young (15-24)		53.3	52.1	51.4	50.6	*50.9*	0.4	p.p.
Prime age (25-54)		90.9	90.5	90.1	90.1	*90.3*	0.1	p.p.
Older (55-64)		51.3	52.9	55.3	55.5	*56.9*	1.3	p.p.
Female		72.4	72.8	72.2	72.0	*72.8*	0.8	p.p.
Young (15-24)		50.9	50.9	49.9	48.8	*50.4*	1.6	p.p.
Prime age (25-54)		85.0	85.5	84.8	84.5	*85.1*	0.6	p.p.
Older (55-64)		49.4	51.3	52.3	54.2	*56.4*	2.2	p.p.
5. Employment rate (as % of population 15-64)		68.1	68.1	67.7	67.6	*68.4*	0.8	p.p.
Young (15-24)		41.7	40.6	39.7	39.4	*40.5*	1.1	p.p.
Prime age (25-54)		81.4	81.6	81.1	81.0	*81.7*	0.7	p.p.
Older (55-64)		45.7	47.9	49.7	50.9	*52.7*	1.8	p.p.
Male		70.8	70.0	69.6	69.7	*70.3*	0.5	p.p.
Young (15-24)		43.0	41.0	40.1	39.3	*40.4*	1.1	p.p.
Prime age (25-54)		84.6	83.8	83.3	83.8	*84.4*	0.6	p.p.
Older (55-64)		46.7	48.6	51.0	51.4	*52.8*	1.4	p.p.
Female		65.4	66.2	65.7	65.5	*66.5*	1.0	p.p.
Young (15-24)		40.7	40.3	39.2	39.4	*40.7*	1.2	p.p.
Prime age (25-54)		78.2	79.2	78.9	78.2	*79.0*	0.8	p.p.
Older (55-64)		45.0	47.2	48.2	50.5	*52.6*	2.1	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		2 350	2 354	2 345	2 345	*2 377*	33	Th.
Male (as % of total)		52.2	51.7	51.7	51.8	*51.6*	– 0.2	p.p.
Female (as % of total)		47.8	48.4	48.3	48.2	*48.4*	0.2	p.p.
7. Employment growth (%) (national accounts)		1.5	1.0	0.1	0.4	*1.7*		p.p.
Employment growth (%) (LFS, age 15-64)		**1.3**	**0.2**	**– 0.4**	**0.0**	***1.4***		p.p.
Male		**0.9**	**– 0.9**	**– 0.3**	**0.1**	***1.1***		p.p.
Female		**1.8**	**1.4**	**– 0.6**	**– 0.1**	***1.7***		p.p.
8. Self employed (% of total employment)		8.3	7.9	7.9	7.9	*8.0*	0.1	p.p.
Male		10.1	9.7	9.7	9.8	*9.9*	0.2	p.p.
Female		6.2	6.0	5.9	5.9	*5.9*	0.0	p.p.
9. Temporary employment (as % total)		16.4	16.0	16.3	16.1	*16.4*	0.4	p.p.
Male		12.8	12.5	12.6	12.6	*12.8*	0.2	p.p.
Female		19.9	19.5	20.0	19.5	*20.0*	0.4	p.p.
10. Part-time (as % of total employment)		11.8	12.4	12.6	13.2	*13.3*	0.1	p.p.
Male		7.4	7.8	8.0	8.4	*8.6*	0.2	p.p.
Female		16.6	17.2	17.4	18.3	*18.2*	0.0	p.p.
11. Unemployment rate (harmonised: 15-74)		9.1	9.1	9.0	8.8	*8.4*	– 0.4	p.p.
Young (15-24)		19.9	21.0	21.7	20.8	*20.0*	– 0.7	p.p.
Prime age (25-54)		7.4	7.3	7.2	7.3	*6.8*	– 0.5	p.p.
Older (55-64)		9.1	8.2	7.6	7.2	*7.0*	– 0.3	p.p.
Male		8.6	9.1	9.2	8.7	*8.2*	– 0.5	p.p.
Young (15-24)		19.4	21.3	22.0	22.2	*20.6*	– 1.6	p.p.
Prime age (25-54)		6.9	7.4	7.5	7.0	*6.5*	– 0.5	p.p.
Older (55-64)		9.1	8.2	7.7	7.5	*7.2*	– 0.3	p.p.
Female		9.7	9.1	8.9	8.9	*8.6*	– 0.3	p.p.
Young (15-24)		20.1	20.8	21.5	19.2	*19.3*	0.1	p.p.
Prime age (25-54)		8.0	7.3	7.0	7.5	*7.2*	– 0.3	p.p.
Older (55-64)		9.0	7.9	7.7	6.9	*6.7*	– 0.2	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		28.0	25.2	25.5	24.3	*26.1*	1.8	p.p.
13. Worked hours (average actual weekly hours)		37.5	37.2	37.1	37.0	*37.1*	0.1	%
Male		39.7	39.5	39.5	39.2	*39.2*	– 0.1	%
Female		35.0	34.7	34.5	34.5	*34.6*	0.4	%
14. Sectoral employment growth								
Agriculture		– 3.9	– 3.7	– 1.8	– 2.0	*– 3.9*		p.p.
Building and construction		– 1.6	0.7	0.5	2.3	*6.0*		p.p.
Services		2.5	2.3	1.0	1.3	*2.0*		p.p.
Manufacturing industry		0.7	– 2.0	– 2.4	– 2.5	*0.4*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Finland

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.7	1.8	2.8	3.5	2.9	2.6	2.4	5.8	5.0
Compensation of employees per hour worked	6.0	2.4	3.5	3.7	3.0	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	6.7	4.7	3.9	2.3	4.0	3.6	3.7	4.1	3.6
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	3.5	1.1	1.1	0.5	2.5	0.5	0.9	2.3	2.0
Real unit labour costs deflated by GDP deflator	0.5	– 0.1	1.5	– 0.1	0.9	0.2	– 0.7	0.3	0.4
Wages and salaries	3.6	1.0	2.3	2.8	3.3	0.5	0.8	6.1	3.4
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	60.9	61.1	62.4	62.2	63.1	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	22.9	22.7	22.2	22.2	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	77.1	77.4	77.9	77.9	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	66.4	66.5	67.0	67.0	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	21.3	21.1	20.6	20.6	:	:	:	:	:
Other indirect costs (as % of total labour costs)	1.5	1.5	1.5	1.5	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	1.1	0.7	1.7	3.1	0.4	2.1	1.5	3.4	2.8
Hourly labour productivity	2.0	1.1	2.3	3.2	0.4	:	:	:	:
GDP	2.6	1.6	1.8	3.5	2.1	3.6	3.0	3.9	2.6
ECFIN NAIRU estimate	9.3	8.6	8.1	7.7	7.4	:	:	:	:
Output gap (%)	0.6	– 0.4	– 1.0	– 0.3	– 1.1	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	2.7	2.0	1.3	0.1	0.8	0.2	0.9	1.0	0.9
Underlying inflation (excluding energy and unprocessed food)	2.9	2.2	1.3	– 0.1	0.3	– 0.1	0.6	0.4	0.4
GDP deflator	3.0	1.3	– 0.4	0.6	1.6	0.3	1.6	1.9	1.6
Sectoral breakdown of unit labour costs									
Agriculture and fishery	8.4	– 5.2	3.3	3.7	– 5.9	– 1.9	24.6	– 5.0	2.7
Industry excluding construction	7.0	– 2.6	– 1.1	– 3.0	5.4	– 0.8	– 3.7	– 0.9	5.7
of which: manufacturing	2.6	– 4.0	– 2.7	– 2.6	3.9	:	:	:	:
Construction	7.7	1.3	1.4	2.1	5.0	7.0	8.0	7.5	2.6
Trade, transport and communication	2.3	1.1	– 1.6	– 1.9	1.5	2.6	– 0.1	0.8	– 1.3
Finance and business services	9.0	2.0	2.2	3.3	2.6	3.3	1.2	3.6	0.3
Non-market-related services	3.1	3.3	4.2	3.5	2.9	1.8	3.2	:	:
Market-related sectors	5.5	– 0.5	– 0.4	– 0.8	4.3	1.4	– 0.1	0.8	2.2
Sectoral breakdown of compensation per employee									
Total industries	4.6	1.9	2.9	3.6	3.3	0.0	0.0	0.0	0.0
Agriculture and fishery	9.2	2.1	5.8	5.5	– 3.6	0.1	9.4	9.8	10.7
Industry excluding construction	6.4	1.6	2.6	4.4	3.2	4.6	1.3	6.5	3.7
of which: manufacturing	6.6	1.5	2.5	4.7	3.0	:	:	:	:
Construction	5.7	1.6	2.8	2.9	3.9	4.5	3.8	3.4	6.9
Trade, transport and communication	4.7	1.9	2.4	3.0	3.0	3.4	1.8	4.0	4.7
Finance and business services	3.9	0.8	3.5	4.3	4.5	5.9	4.6	3.9	5.8
Non-market-related services	3.0	2.7	3.6	3.5	3.4	0.0	1.0	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	0.8	7.7	2.4	1.6	2.4	2.0	– 12.2	15.6	7.7
Industry excluding construction	– 0.5	4.2	3.7	7.6	– 2.1	5.4	5.2	7.4	– 1.9
of which: manufacturing	3.9	5.6	5.3	7.5	– 0.8	:	:	:	:
Construction	– 1.9	0.3	1.4	0.8	– 1.1	– 2.3	– 3.9	– 3.8	4.2
Trade, transport and communication	2.3	0.7	4.0	5.0	1.5	0.7	1.9	3.2	6.1
Finance and business services	– 4.6	– 1.2	1.3	1.0	1.8	2.6	3.4	0.3	5.6
Non-market-related services	– 0.1	– 0.6	– 0.6	– 0.1	0.5	– 1.7	– 2.1	1.2	0.6
Market-related sectors	– 0.1	2.0	3.0	4.5	– 0.2	2.8	2.6	4.1	2.7

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Sweden

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	8 889	8 930	8 970	9 006	*9 041*	0.4	%
2. Population (working age: 15-64)		5 739	5 776	5 821	5 855	*5 898*	0.7	%
as % of total population		64.6	64.7	64.9	65.0	*65.2*	0.2	p.p.
3. Labour force (15-64)	**1 000 pers.**	4 468	4 482	4 501	4 519	*4 613*	2.1	%
Male		2 331	2 330	2 341	2 353	*2 411*	2.5	%
Female		2 137	2 153	2 160	2 165	*2 203*	1.7	%
4. Activity rate (as % of population 15-64)		77.9	77.6	77.3	77.2	*78.2*	1.0	p.p.
Young (15-24)		50.0	49.1	47.7	47.2	*49.9*	2.7	p.p.
Prime age (25-54)		88.0	87.7	87.7	87.7	*88.8*	1.2	p.p.
Older (55-64)		70.0	71.2	71.9	72.7	*72.7*	0.0	p.p.
Male		79.9	79.4	79.2	79.1	*80.5*	1.4	p.p.
Young (15-24)		50.0	48.5	47.2	47.0	*49.0*	1.9	p.p.
Prime age (25-54)		90.4	89.8	89.9	90.0	*91.7*	1.7	p.p.
Older (55-64)		73.1	74.3	74.9	75.6	*76.4*	0.7	p.p.
Female		75.7	75.8	75.4	75.1	*75.9*	0.7	p.p.
Young (15-24)		50.1	49.8	48.2	47.3	*50.8*	3.5	p.p.
Prime age (25-54)		85.5	85.5	85.4	85.3	*85.9*	0.6	p.p.
Older (55-64)		66.9	68.2	68.9	69.8	*69.0*	– 0.8	p.p.
5. Employment rate (as % of population 15-64)		74.0	73.6	72.9	72.1	*72.3*	0.2	p.p.
Young (15-24)		44.2	42.8	41.2	39.1	*39.0*	– 0.2	p.p.
Prime age (25-54)		84.6	84.2	83.5	83.0	*83.5*	0.6	p.p.
Older (55-64)		66.7	68.0	68.5	69.2	*69.5*	0.4	p.p.
Male		75.7	74.9	74.2	73.6	*74.3*	0.7	p.p.
Young (15-24)		43.7	41.7	40.4	38.7	*38.2*	– 0.4	p.p.
Prime age (25-54)		86.6	85.9	85.3	85.0	*86.1*	1.2	p.p.
Older (55-64)		69.5	70.4	70.8	71.2	*72.4*	1.2	p.p.
Female		72.3	72.2	71.5	70.5	*70.2*	– 0.3	p.p.
Young (15-24)		44.7	43.8	42.1	39.7	*39.7*	0.1	p.p.
Prime age (25-54)		82.4	82.4	81.7	80.9	*80.8*	– 0.1	p.p.
Older (55-64)		64.0	65.6	66.3	67.0	*66.7*	– 0.3	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		4 249	4 252	4 242	4 221	*4 263*	43	Th.
Male (as % of total)		52.0	51.7	51.7	51.9	*52.2*	0.3	p.p.
Female (as % of total)		48.0	48.3	48.3	48.1	*47.8*	– 0.3	p.p.
7. Employment growth (%) (national accounts)		1.9	0.2	– 0.3	– 0.5	*0.7*		p.p.
Employment growth (%) (LFS, age 15-64)		**4.9**	**0.1**	**– 0.2**	**– 0.5**	***1.0***		p.p.
Male		**5.2**	**– 0.4**	**– 0.2**	**– 0.3**	***1.6***		p.p.
Female		**4.6**	**0.6**	**– 0.3**	**– 0.8**	***0.4***		p.p.
8. Self employed (% of total employment)		5.9	5.8	5.7	6.0	*6.0*	0.0	p.p.
Male		7.9	7.9	7.9	8.4	*8.2*	– 0.2	p.p.
Female		3.8	3.6	3.4	3.4	*3.5*	0.1	p.p.
9. Temporary employment (as % total)		14.9	14.9	14.9	15.3	*15.7*	0.4	p.p.
Male		12.5	12.4	12.5	13.3	*13.6*	0.4	p.p.
Female		17.3	17.3	17.2	17.3	*17.6*	0.4	p.p.
10. Part-time (as % of total employment)		19.7	20.0	22.0	22.8	*23.5*	0.7	p.p.
Male		9.4	9.8	10.0	10.8	*10.4*	– 0.4	p.p.
Female		30.9	31.1	34.9	35.7	*37.7*	2.0	p.p.
11. Unemployment rate (harmonised: 15-74)		4.9	4.9	5.6	6.3	*7.8 p*	:	p.p.
Young (15-24)		11.7	12.8	13.7	17.1	*21.9*	4.9	p.p.
Prime age (25-54)		3.9	4.0	4.8	5.4	*6.0*	0.6	p.p.
Older (55-64)		4.7	4.5	4.7	4.8	*4.4*	– 0.4	p.p.
Male		5.2	5.3	6.0	6.5	*7.9 p*	:	p.p.
Young (15-24)		12.5	14.0	14.5	17.8	*21.9*	4.1	p.p.
Prime age (25-54)		4.2	4.4	5.1	5.6	*6.1*	0.5	p.p.
Older (55-64)		5.0	5.2	5.6	5.8	*5.2*	– 0.7	p.p.
Female		4.5	4.6	5.2	6.1	*7.7 p*	:	p.p.
Young (15-24)		10.7	11.9	12.6	16.1	*21.8*	5.7	p.p.
Prime age (25-54)		3.6	3.7	4.3	5.2	*5.9*	0.7	p.p.
Older (55-64)		4.3	3.7	3.8	4.0	*3.4*	– 0.6	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		20.8	19.9	17.7	19.3	*15.6*	– 3.8	p.p.
13. Worked hours (average actual weekly hours)		36.1	35.9	35.4	35.4	*35.6*	0.6	%
Male		38.8	38.4	37.9	37.9	*38.3*	1.0	%
Female		33.0	32.8	32.4	32.4	*32.4*	0.1	%
14. Sectoral employment growth								
Agriculture		– 7.4	– 2.4	– 3.9	0.1	*:*		p.p.
Building and construction		6.4	0.8	– 1.5	– 0.9	*:*		p.p.
Services		2.2	0.9	0.2	– 0.2	*:*		p.p.
Manufacturing industry		1.1	– 2.7	– 2.6	– 1.9	*– 1.0*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Sweden

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	4.5	2.9	3.0	3.7	3.4	3.4	3.4	3.7	4.5
Compensation of employees per hour worked	6.3	4.6	4.5	2.2	3.6	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.2	3.3	4.9	3.2	2.9	:	:	:	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	5.4	1.0	1.0	– 0.6	1.3	2.4	0.1	0.6	2.6
Real unit labour costs deflated by GDP deflator	3.2	– 0.6	– 1.0	– 1.4	0.2	1.5	– 0.8	– 0.3	0.8
Wages and salaries	3.8	1.1	1.1	2.8	3.7	2.2	3.7	3.8	4.8
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	70.8	70.6	70.2	69.1	69.2	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	33.5	33.5	33.5	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	66.5	66.5	66.5	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	57.5	57.5	57.5	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	29.6	29.6	29.6	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	3.9	3.9	3.9	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	– 0.8	1.8	2.0	4.3	2.0	1.0	3.3	3.1	2.0
Hourly labour productivity	0.6	3.3	3.2	2.9	2.2	:	:	:	:
GDP	1.1	2.0	1.7	3.7	2.7	1.1	3.3	3.5	2.9
ECFIN NAIRU estimate	5.6	5.4	5.4	5.4	5.1	:	:	:	:
Output gap (%)	0.3	– 0.3	– 1.2	– 0.1	– 0.1	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	:	:	:	:	:	:	:	:	:
GDP deflator	2.1	1.6	2.0	0.8	1.1	0.9	1.0	0.8	1.8
Sectoral breakdown of unit labour costs									
Agriculture and fishery	– 15.2	0.3	– 3.3	4.9	11.6	1.5	12.6	25.9	14.6
Industry excluding construction	– 2.4	– 2.5	– 0.5	– 6.3	2.1	1.3	– 1.5	– 1.3	0.1
of which: manufacturing	8.0	– 4.9	– 2.3	– 6.9	– 0.7	:	:	:	:
Construction	– 2.3	5.0	2.7	1.9	0.3	1.7	1.9	0.4	4.5
Trade, transport and communication	– 5.6	1.9	0.2	– 0.6	0.8	1.9	0.6	0.6	0.5
Finance and business services	0.1	1.4	– 1.2	0.2	1.9	3.8	2.5	3.1	5.3
Non-market-related services	– 4.9	5.5	5.0	2.2	0.3	1.5	1.2	:	:
Market-related sectors	6.3	– 0.7	– 0.9	– 2.2	1.8	2.5	0.8	1.4	2.6
Sectoral breakdown of compensation per employee									
Total industries	– 4.6	3.9	3.4	3.7	2.0	0.0	0.0	0.0	0.0
Agriculture and fishery	– 4.1	6.1	0.4	6.1	3.8	2.4	6.6	8.2	6.4
Industry excluding construction	– 4.8	4.6	4.4	4.0	2.6	2.8	4.8	5.2	4.7
of which: manufacturing	4.5	3.5	4.0	4.2	2.8	:	:	:	:
Construction	– 3.3	3.7	1.0	6.8	4.4	5.8	7.7	5.0	6.4
Trade, transport and communication	– 5.7	4.3	3.7	3.0	2.2	4.4	4.3	3.7	3.6
Finance and business services	– 3.0	1.2	1.8	3.2	3.2	5.5	5.2	5.0	4.6
Non-market-related services	– 5.4	5.4	4.7	3.7	0.8	0.9	1.9	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	13.1	5.8	3.9	1.1	– 7.0	1.0	– 5.3	– 14.1	7.1
Industry excluding construction	– 2.4	7.3	4.9	11.0	4.8	1.5	6.4	6.6	4.6
of which: manufacturing	– 3.2	8.8	6.4	12.0	3.6	:	:	:	:
Construction	– 1.0	– 1.3	– 1.6	4.8	4.1	3.9	5.8	4.6	1.9
Trade, transport and communication	– 0.1	2.4	3.5	3.6	3.1	2.4	3.7	3.0	3.1
Finance and business services	– 3.2	– 0.1	3.1	3.0	1.3	1.6	2.7	1.9	0.7
Non-market-related services	– 0.5	– 0.1	– 0.3	1.4	0.5	– 0.7	0.7	1.1	1.2
Market-related sectors	– 1.3	3.2	3.5	6.1	2.7	1.7	4.2	3.1	1.8

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
United Kingdom

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	57 820	57 964	58 135	58 285	*58 421*	0.2	%
2. Population (working age: 15-64)		37 786	37 991	38 177	38 364	*38 530*	0.4	%
as % of total population		65.4	65.5	65.7	65.8	*66.0*	0.1	p.p.
3. Labour force (15-64)	**1 000 pers.**	28 417	28 575	28 715	28 846	*28 997*	0.5	%
Male		15 391	15 423	15 503	15 514	*15 545*	0.2	%
Female		13 026	13 152	13 212	13 332	*13 452*	0.9	%
4. Activity rate (as % of population 15-64)		75.2	75.2	75.2	75.2	*75.3*	0.1	p.p.
Young (15-24)		64.1	63.7	63.0	62.9	*61.9*	– 1.0	p.p.
Prime age (25-54)		83.6	83.7	83.7	83.7	*84.1*	0.4	p.p.
Older (55-64)		54.1	55.3	57.2	57.9	*58.5*	0.6	p.p.
Male		82.6	82.3	82.3	82.0	*81.9*	– 0.1	p.p.
Young (15-24)		67.9	66.7	66.0	65.4	*64.7*	– 0.7	p.p.
Prime age (25-54)		91.3	91.3	91.3	91.0	*91.1*	0.1	p.p.
Older (55-64)		64.6	65.3	67.5	68.1	*68.3*	0.2	p.p.
Female		68.0	68.3	68.3	68.6	*68.8*	0.3	p.p.
Young (15-24)		60.4	60.7	60.0	60.5	*59.1*	– 1.4	p.p.
Prime age (25-54)		76.2	76.4	76.4	76.7	*77.4*	0.7	p.p.
Older (55-64)		43.9	45.6	47.3	47.9	*49.0*	1.0	p.p.
5. Employment rate (as % of population 15-64)		71.4	71.3	71.5	71.6	*71.7*	0.0	p.p.
Young (15-24)		56.6	56.1	55.3	55.4	*54.0*	– 1.4	p.p.
Prime age (25-54)		80.4	80.4	80.6	80.8	*81.2*	0.4	p.p.
Older (55-64)		52.2	53.4	55.4	56.2	*56.9*	0.7	p.p.
Male		78.0	77.6	77.7	77.8	*77.6*	– 0.2	p.p.
Young (15-24)		58.9	57.6	56.9	56.6	*55.3*	– 1.3	p.p.
Prime age (25-54)		87.5	87.4	87.6	87.7	*87.8*	0.1	p.p.
Older (55-64)		61.7	62.6	64.8	65.7	*66.0*	0.3	p.p.
Female		65.0	65.2	65.3	65.6	*65.9*	0.2	p.p.
Young (15-24)		54.3	54.5	53.7	54.1	*52.5*	– 1.5	p.p.
Prime age (25-54)		73.5	73.7	73.8	74.2	*74.8*	0.6	p.p.
Older (55-64)		43.0	44.5	46.3	47.0	*48.1*	1.0	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		26 982	27 097	27 277	27 485	*27 610*	125	Th.
Male (as % of total)		53.9	53.7	53.7	53.6	*53.4*	– 0.2	p.p.
Female (as % of total)		46.1	46.3	46.3	46.4	*46.6*	0.2	p.p.
7. Employment growth (%) (national accounts)		0.8	0.8	1.0	1.0	*1.0*		p.p.
Employment growth (%) (LFS, age 15-64)		**0.9**	**0.4**	**0.7**	**0.8**	***0.5***		p.p.
Male		**0.8**	**0.1**	**0.7**	**0.5**	***0.1***		p.p.
Female		**1.1**	**0.8**	**0.7**	**1.0**	***0.9***		p.p.
8. Self employed (% of total employment)		8.4	8.6	9.2	9.3	*9.4*	0.1	p.p.
Male		11.2	11.6	12.3	12.6	*12.6*	0.0	p.p.
Female		5.1	5.2	5.7	5.5	*5.7*	0.2	p.p.
9. Temporary employment (as % total)		6.6	6.3	6.0	5.9	*5.6*	– 0.3	p.p.
Male		5.9	5.5	5.2	5.3	*5.1*	– 0.2	p.p.
Female		7.5	7.1	6.7	6.4	*6.2*	– 0.2	p.p.
10. Part-time (as % of total employment)		24.3	24.5	24.8	24.9	*24.4*	– 0.5	p.p.
Male		7.9	8.5	8.9	9.1	*9.1*	0.0	p.p.
Female		43.3	43.1	43.3	43.2	*41.9*	– 1.2	p.p.
11. Unemployment rate (harmonised: 15-74)		5.0	5.1	4.9	4.7	*4.7*	0.0	p.p.
Young (15-24)		11.8	12.0	12.3	12.0	*12.8*	0.8	p.p.
Prime age (25-54)		3.9	4.0	3.8	3.5	*3.4*	0.0	p.p.
Older (55-64)		3.5	3.4	3.2	2.8	*2.8*	– 0.1	p.p.
Male		5.5	5.6	5.5	5.0	*5.1*	0.1	p.p.
Young (15-24)		13.3	13.7	13.9	13.3	*14.5*	1.1	p.p.
Prime age (25-54)		4.2	4.3	4.1	3.7	*3.6*	– 0.1	p.p.
Older (55-64)		4.4	4.2	4.0	3.5	*3.4*	– 0.8	
Female		4.4	4.5	4.3	4.2	*4.3*	0.1	p.p.
Young (15-24)		10.2	10.2	10.5	10.6	*11.0*	0.4	p.p.
Prime age (25-54)		3.5	3.6	3.4	3.2	*3.2*	0.0	p.p.
Older (55-64)		2.1	2.4	2.1	1.9	*1.8*	– 0.1	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		25.3	21.7	21.4	20.4	*21.0*	0.5	p.p.
13. Worked hours (average actual weekly hours)		36.3	35.9	35.7	35.7	*35.7*	0.0	%
Male		41.5	40.9	40.7	40.5	*40.4*	– 0.4	%
Female		30.0	29.9	29.8	29.9	*30.2*	0.8	%
14. Sectoral employment growth								
Agriculture		– 12.7	– 9.4	– 4.9	2.6	*:*		p.p.
Building and construction		0.5	0.4	4.6	4.7	*:*		p.p.
Services		2.0	2.0	1.8	1.5	*:*		p.p.
Manufacturing industry		– 4.3	– 4.9	– 4.6	– 3.7	*– 4.6*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
United Kingdom

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	5.0	3.6	4.8	4.3	4.4	4.4	4.2	4.5	4.3
Compensation of employees per hour worked	4.9	4.9	4.7	4.3	5.1	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	5.6	4.4	4.2	6.4	2.9	4.0	3.4	1.6	3.2
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	3.6	2.4	3.2	2.1	3.5	4.1	3.4	4.0	2.4
Real unit labour costs deflated by GDP deflator	1.3	– 0.7	0.3	0.0	1.5	1.2	1.3	2.3	1.0
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	74.5	73.8	73.9	73.9	74.8	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	18.1	18.5	19.7	20.0	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	81.9	81.5	80.3	80.0	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	69.0	69.0	69.0	69.0	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	15.7	16.1	17.6	18.1	:	:	:	:	:
Other indirect costs (as % of total labour costs)	2.5	2.4	2.1	2.0	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	1.4	1.2	1.6	2.1	0.8	0.3	0.8	0.5	1.8
Hourly labour productivity	1.3	2.4	2.3	2.4	1.4	:	:	:	:
GDP	2.2	2.0	2.5	3.1	1.8	1.3	1.8	1.8	2.4
ECFIN NAIRU estimate	5.5	5.2	5.0	4.8	4.7	:	:	:	:
Output gap (%)	0.9	0.2	0.1	0.5	– 0.4	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	1.2	1.3	1.4	1.3	2.0	1.7	1.9	2.4	2.1
Underlying inflation (excluding energy and unprocessed food)	1.2	1.5	1.3	1.1	1.4	1.2	1.4	1.7	1.5
GDP deflator	2.3	3.1	2.9	2.1	2.0	2.9	2.1	1.7	1.4
Sectoral breakdown of unit labour costs									
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	0.8	3.5	0.2	– 1.6	0.7	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Market-related sectors	3.1	3.7	2.3	:	:	:	:	:	:
Sectoral breakdown of compensation per employee									
Total industries	2.9	2.5	– 4.8	6.3	:	0.0	0.0	0.0	0.0
Agriculture and fishery	:	:	:	:	:	:	:	:	:
Industry excluding construction	:	:	:	:	:	:	:	:	:
of which: manufacturing	4.0	4.9	5.1	4.1	4.4	:	:	:	:
Construction	:	:	:	:	:	:	:	:	:
Trade, transport and communication	:	:	:	:	:	:	:	:	:
Finance and business services	:	:	:	:	:	:	:	:	:
Non-market-related services	:	:	:	:	:	:	:	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	7.3	20.3	3.5	– 1.4	:	:	:	:	:
Industry excluding construction	2.3	2.7	4.4	4.2	:	:	:	:	:
of which: manufacturing	3.2	1.4	4.9	5.8	3.6	:	:	:	:
Construction	1.2	3.5	0.5	– 1.3	:	:	:	:	:
Trade, transport and communication	2.1	0.9	2.1	3.4	:	:	:	:	:
Finance and business services	2.0	– 1.5	2.5	4.0	:	:	:	:	:
Non-market-related services	1.1	– 0.8	– 0.5	0.1	:	:	:	:	:
Market-related sectors	1.8	0.5	2.3	3.1	:	:	:	:	:

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
European Union (25 countries)

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	438 676	441 374	443 080	*444 685*	*447 106*	0.5	%
2. Population (working age: 15-64)		299 787	300 973	302 054	*302 818*	*304 681*	0.6	%
as % of total population		68.3	68.2	68.2	*68.1*	*68.1*	0.0	p.p.
3. Labour force (15-64)	**1 000 pers.**	205 623	207 429	209 258	*210 553*	*213 339*	1.3	%
Male		115 202	115 851	116 473	*116 783*	*118 049*	1.1	%
Female		90 421	91 578	92 786	*93 770*	*95 291*	1.6	%
4. Activity rate (as % of population 15-64)		68.6	68.9	69.3	*69.5*	*70.0*	0.5	p.p.
Young (15-24)		45.6	45.4	44.8	*44.6*	*44.5*	– 0.1	p.p.
Prime age (25-54)		82.5	82.8	83.2	*83.5*	*83.9*	0.4	p.p.
Older (55-64)		39.8	41.1	42.9	*43.8*	*45.3*	1.5	p.p.
Male		77.2	77.3	77.4	*77.4*	*77.7*	0.3	p.p.
Young (15-24)		49.1	49.0	48.3	*48.1*	*48.1*	0.0	p.p.
Prime age (25-54)		91.8	91.8	91.9	*91.8*	*92.1*	0.3	p.p.
Older (55-64)		50.6	52.0	53.7	*54.3*	*55.3*	1.0	p.p.
Female		60.1	60.6	61.2	*61.7*	*62.4*	0.6	p.p.
Young (15-24)		42.0	41.7	41.3	*41.1*	*40.9*	– 0.2	p.p.
Prime age (25-54)		73.2	73.9	74.6	*75.2*	*75.7*	0.5	p.p.
Older (55-64)		29.5	30.7	32.7	*33.8*	*35.8*	2.1	p.p.
5. Employment rate (as % of population 15-64)		62.7	62.8	62.9	*63.0*	*63.6*	0.6	p.p.
Young (15-24)		37.8	37.4	36.7	*36.4*	*36.2*	– 0.1	p.p.
Prime age (25-54)		76.4	76.3	76.5	*76.6*	*77.1*	0.5	p.p.
Older (55-64)		37.1	38.4	40.0	*40.7*	*42.3*	1.6	p.p.
Male		71.3	71.0	70.8	*70.6*	*71.1*	0.4	p.p.
Young (15-24)		41.1	40.5	39.5	*39.2*	*39.1*	– 0.1	p.p.
Prime age (25-54)		85.9	85.4	85.2	*85.0*	*85.4*	0.4	p.p.
Older (55-64)		47.2	48.6	50.1	*50.5*	*51.5*	1.0	p.p.
Female		54.2	54.6	55.1	*55.4*	*56.2*	0.8	p.p.
Young (15-24)		34.6	34.3	33.8	*33.4*	*33.3*	– 0.1	p.p.
Prime age (25-54)		66.8	67.3	67.8	*68.2*	*68.9*	0.6	p.p.
Older (55-64)		27.6	28.8	30.6	*31.4*	*33.6*	2.2	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		187 988	188 948	190 063	*190 850*	*193 835*	2 985	Th.
Male (as % of total)		56.6	56.3	56.1	*55.9*	*55.7*	– 0.2	p.p.
Female (as % of total)		43.4	43.7	43.9	*44.1*	*44.3*	0.2	p.p.
7. Employment growth (%) (national accounts)		1.1	0.4	0.3	*0.6*	*0.9*		p.p.
Employment growth (%) (LFS, age 15-64)		**1.3**	**0.5**	**0.6**	***0.4***	***1.6***		p.p.
Male		**0.9**	**0.0**	**0.1**	***0.1***	***1.2***		p.p.
Female		**1.9**	**1.1**	**1.2**	***0.8***	***2.0***		p.p.
8. Self employed (% of total employment)		9.0	9.0	9.1	*9.9*	*9.9*	0.0	p.p.
Male		10.8	10.9	11.1	*12.0*	*12.0*	– 0.1	p.p.
Female		6.6	6.5	6.6	*7.2*	*7.3*	0.1	p.p.
9. Temporary employment (as % total)		12.9	12.9	12.9	*13.5*	*14.2*	0.7	p.p.
Male		12.1	12.1	12.2	*12.9*	*13.8*	0.9	p.p.
Female		13.7	13.8	13.7	*14.3*	*14.7*	0.4	p.p.
10. Part-time (as % of total employment)		15.9	16.1	16.5	*17.2*	*17.9*	0.7	p.p.
Male		5.6	5.8	6.0	*6.3*	*6.7*	0.3	p.p.
Female		29.4	29.3	29.9	*31.0*	*32.1*	1.1	p.p.
11. Unemployment rate (harmonised: 15-74)		8.4	8.8	9.0	*9.1*	*8.7*	– 0.4	p.p.
Young (15-24)		17.0	17.5	18.1	*18.5*	*18.7*	0.2	p.p.
Prime age (25-54)		7.5	7.9	8.1	*8.3*	*8.1*	– 0.2	p.p.
Older (55-64)		6.7	6.4	6.7	*7.0*	*6.6*	– 0.4	p.p.
Male		7.3	7.8	8.1	*8.1*	*7.9*	– 0.2	p.p.
Young (15-24)		16.4	17.2	18.1	*18.4*	*18.7*	0.3	p.p.
Prime age (25-54)		6.4	7.0	7.3	*7.5*	*7.3*	– 0.2	p.p.
Older (55-64)		6.7	6.5	6.7	*7.0*	*6.9*	– 0.1	p.p.
Female		9.8	10.0	10.2	*10.3*	*9.8*	– 0.5	p.p.
Young (15-24)		17.7	17.8	18.1	*18.7*	*18.6*	0.0	p.p.
Prime age (25-54)		8.8	9.0	9.1	*9.3*	*9.0*	– 0.2	p.p.
Older (55-64)		6.6	6.3	6.6	*6.9*	*6.2*	– 0.7	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		:	43.9	44.6	*44.1*	*45.5*	1.4	p.p.
13. Worked hours (average actual weekly hours)		38.0	37.4	37.4	*37.4*	*37.5*	0.3	%
Male		41.2	40.6	40.6	*40.8*	*41.1*	0.7	%
Female		33.6	33.2	33.1	*33.0*	*33.0*	0.0	%
14. Sectoral employment growth								
Agriculture		:	:	:	*:*	*:*		p.p.
Building and construction		:	:	:	*:*	*:*		p.p.
Services		:	:	:	*:*	*:*		p.p.
Manufacturing industry		:	:	:	*:*	*:*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
European Union (25 countries)

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.9	3.2	3.1	2.9	2.5	1.8	1.7	:	:
Compensation of employees per hour worked	4.7	4.3	3.6	2.8	2.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	4.7	3.8	3.4	3.4	2.7	3.1	2.9	2.4	2.5
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	2.9	2.4	2.1	1.0	1.6	1.7	0.5	:	:
Real unit labour costs deflated by GDP deflator	0.3	– 0.4	– 0.2	– 1.1	– 0.4	– 0.5	– 1.3	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	67.9	67.6	67.4	66.8	66.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.9	0.8	1.0	1.9	0.9	0.0	1.2	0.9	1.1
Hourly labour productivity	1.6	1.8	1.6	1.8	1.1	:	:	:	:
GDP	2.0	1.2	1.3	2.5	1.7	0.9	2.0	1.7	1.8
ECFIN NAIRU estimate	8.7	8.7	8.7	8.6	8.5	:	:	:	:
Output gap (%)	1.4	0.4	– 0.5	– 0.2	– 0.7	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	2.1	2.3	1.9	2.0	1.5	1.6	1.4	1.4	1.4
GDP deflator	2.6	2.8	2.3	2.2	2.0	2.2	1.9	1.7	2.5
Sectoral breakdown of unit labour costs									
Agriculture and fishery	6.9	1.5	3.1	– 7.4	4.1	2.2	2.6	:	:
Industry excluding construction	1.3	0.6	– 1.3	– 1.3	– 0.1	1.6	– 1.0	:	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	2.4	2.7	1.3	2.8	3.7	7.3	2.0	:	:
Trade, transport and communication	1.1	1.3	– 0.1	1.0	1.0	1.7	0.4	:	:
Finance and business services	3.9	3.2	– 0.5	2.0	2.0	1.0	0.8	:	:
Non-market-related services	2.5	3.3	1.6	3.1	3.2	2.1	1.6	:	:
Market-related sectors	1.8	1.6	– 0.3	0.4	:	1.7	0.2	:	:
Sectoral breakdown of compensation per employee									
Total industries	2.8	2.8	0.9	3.1	2.4	:	:	:	:
Agriculture and fishery	5.1	3.3	0.8	2.9	0.7	1.2	– 1.5	:	:
Industry excluding construction	2.4	2.5	1.6	3.2	2.0	1.7	1.8	:	:
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	2.9	3.4	1.4	3.9	2.4	1.3	1.7	:	:
Trade, transport and communication	2.8	2.4	0.4	2.8	2.5	1.9	1.9	:	:
Finance and business services	3.6	2.5	0.7	2.8	2.3	1.6	1.7	:	:
Non-market-related services	2.4	3.5	0.9	3.4	2.9	2.1	1.7	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 1.7	1.8	– 2.3	11.2	– 3.3	– 1.0	– 4.0	– 3.2	– 4.5
Industry excluding construction	1.1	1.9	2.9	4.6	2.1	0.1	2.9	2.3	3.2
of which: manufacturing	:	:	:	:	:	:	:	:	:
Construction	0.5	0.7	0.1	1.0	– 1.2	– 5.6	– 0.3	0.2	0.4
Trade, transport and communication	1.7	1.1	0.6	1.8	1.5	0.2	1.5	2.0	2.1
Finance and business services	– 0.3	– 0.7	1.1	0.8	0.3	0.6	0.9	0.2	– 0.4
Non-market-related services	– 0.2	0.2	– 0.6	0.2	– 0.2	0.0	0.1	– 0.7	– 0.3
Market-related sectors	1.0	0.9	1.4	2.7	1.0	– 0.1	1.4	1.3	1.4

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
European Union (15 countries)

	2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total) **1 000 pers.**	372 711	374 568	376 339	377 887	*380 135*	0.6	%
2. Population (working age: 15-64)	249 246	250 224	251 347	251 913	*253 617*	0.7	%
as % of total population	66.9	66.8	66.8	66.7	*66.7*	0.1	p.p.
3. Labour force (15-64) **1 000 pers.**	172 035	174 019	176 000	177 304	*179 874*	1.4	%
Male	97 103	97 784	98 514	98 742	*99 831*	1.1	%
Female	74 932	76 235	77 485	78 562	*80 043*	1.9	%
4. Activity rate (as % of population 15-64)	69.0	69.5	70.0	70.4	*70.9*	0.5	p.p.
Young (15-24)	47.2	47.4	47.0	47.2	*47.2*	0.0	p.p.
Prime age (25-54)	82.3	82.8	83.2	83.6	*83.9*	0.4	p.p.
Older (55-64)	41.0	42.4	44.3	45.3	*47.0*	1.6	p.p.
Male	78.0	78.3	78.5	78.5	*78.8*	0.3	p.p.
Young (15-24)	50.7	50.9	50.4	50.5	*50.6*	0.2	p.p.
Prime age (25-54)	92.4	92.4	92.5	92.3	*92.5*	0.2	p.p.
Older (55-64)	51.6	53.0	55.0	55.7	*56.7*	0.9	p.p.
Female	60.0	60.9	61.6	62.3	*63.0*	0.8	p.p.
Young (15-24)	43.6	43.8	43.6	43.8	*43.6*	– 0.1	p.p.
Prime age (25-54)	72.3	73.2	74.0	74.8	*75.3*	0.5	p.p.
Older (55-64)	30.8	32.2	34.1	35.3	*37.6*	2.3	p.p.
5. Employment rate (as % of population 15-64)	63.9	64.2	64.3	64.5	*65.0*	0.6	p.p.
Young (15-24)	40.5	40.4	39.7	39.5	*39.3*	– 0.2	p.p.
Prime age (25-54)	77.0	77.1	77.2	77.4	*77.8*	0.5	p.p.
Older (55-64)	38.4	39.8	41.5	42.2	*43.9*	1.7	p.p.
Male	73.0	72.8	72.6	72.4	*72.7*	0.3	p.p.
Young (15-24)	43.9	43.6	42.5	42.4	*42.2*	– 0.2	p.p.
Prime age (25-54)	87.4	86.9	86.5	86.2	*86.4*	0.2	p.p.
Older (55-64)	48.3	49.8	51.4	52.0	*52.9*	0.9	p.p.
Female	54.9	55.5	56.1	56.6	*57.4*	0.8	p.p.
Young (15-24)	37.1	37.2	36.9	36.6	*36.4*	– 0.2	p.p.
Prime age (25-54)	66.7	67.3	67.9	68.5	*69.2*	0.7	p.p.
Older (55-64)	28.8	30.2	31.9	32.9	*35.3*	2.4	p.p.
6. Employed persons (age 15-64, 1 000 pers.)	159 328	160 535	161 643	162 417	*164 943*	2 526	Th.
Male (as % of total)	57.0	56.7	56.4	56.1	*55.8*	– 0.3	p.p.
Female (as % of total)	43.0	43.3	43.6	43.9	*44.2*	0.3	p.p.
7. Employment growth (%) (national accounts)	1.4	0.6	0.4	0.6	*0.7*		p.p.
Employment growth (%) (LFS, age 15-64)	*1.6*	*0.8*	*0.7*	*0.5*	*1.6*		p.p.
Male	*1.2*	*0.2*	*0.2*	*0.0*	*1.1*		p.p.
Female	*2.2*	*1.5*	*1.4*	*1.1*	*2.1*		p.p.
8. Self employed (% of total employment)	8.2	8.2	8.4	9.3	*9.4*	0.1	p.p.
Male	10.0	10.1	10.2	11.4	*11.4*	0.0	p.p.
Female	5.9	5.8	5.9	6.7	*6.9*	0.2	p.p.
9. Temporary employment (as % total)	13.5	13.2	13.0	13.4	*14.0*	0.6	p.p.
Male	12.6	12.3	12.1	12.6	*13.4*	0.8	p.p.
Female	14.6	14.4	14.1	14.4	*14.7*	0.3	p.p.
10. Part-time (as % of total employment)	17.6	17.7	18.2	19.0	*19.8*	0.8	p.p.
Male	5.7	6.0	6.2	6.6	*7.0*	0.4	p.p.
Female	33.3	33.0	33.6	34.8	*36.0*	1.2	p.p.
11. Unemployment rate (harmonised: 15-74)	7.3	7.6	8.0	8.1	*7.9*	– 0.2	p.p.
Young (15-24)	14.1	14.7	15.5	16.2	*16.7*	0.5	p.p.
Prime age (25-54)	6.4	6.9	7.2	7.4	*7.3*	– 0.1	p.p.
Older (55-64)	6.5	6.2	6.5	6.8	*6.4*	– 0.3	p.p.
Male	6.1	6.6	7.0	7.2	*7.0*	– 0.2	p.p.
Young (15-24)	13.4	14.4	15.6	16.0	*16.7*	0.7	p.p.
Prime age (25-54)	5.4	6.0	6.4	6.6	*6.6*	– 0.1	p.p.
Older (55-64)	6.4	6.2	6.6	6.8	*6.7*	– 0.1	p.p.
Female	8.7	9.0	9.3	9.3	*8.9*	– 0.4	p.p.
Young (15-24)	14.9	15.1	15.5	16.4	*16.6*	0.3	p.p.
Prime age (25-54)	7.7	8.0	8.3	8.4	*8.2*	– 0.2	p.p.
Older (55-64)	6.5	6.3	6.3	6.8	*6.1*	– 0.7	p.p.
12. Long-term unemployment rate							
(as % of total unemployment)	:	40.1	41.5	40.9	*41.8*	0.9	p.p.
13. Worked hours (average actual weekly hours)	37.5	36.8	36.8	36.8	*36.9*	0.3	%
Male	41.0	40.2	40.3	40.5	*40.7*	0.5	%
Female	32.6	32.2	32.1	32.0	*31.9*	– 0.3	%
14. Sectoral employment growth							
Agriculture	– 1.9	– 1.8	– 2.4	:	*:*		p.p.
Building and construction	1.5	0.4	1.1	:	*:*		p.p.
Services	2.0	1.5	1.1	:	*:*		p.p.
Manufacturing industry	– 0.2	– 2.1	– 2.0	– 2.1	*– 1.9*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
European Union (15 countries)

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	3.2	2.9	2.9	2.7	2.5	1.6	1.6	:	:
Compensation of employees per hour worked	3.8	4.1	3.3	2.6	2.9	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	:	:	:	:	:	:	:	:	:
Negotiated wages (euro area only)	:	:	:	:	:	:	:	:	:
Nominal unit labour costs	2.7	2.4	2.2	1.1	1.7	1.7	0.4	:	:
Real unit labour costs deflated by GDP deflator	0.2	– 0.3	– 0.1	– 0.9	– 0.2	0.0	– 1.0	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	67.6	67.3	67.2	66.7	66.6	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.5	0.5	0.7	1.6	0.8	– 0.1	1.2	0.9	1.0
Hourly labour productivity	0.9	1.5	1.2	1.6	1.1	:	:	:	:
GDP	2.0	1.1	1.1	2.3	1.5	0.7	1.9	1.6	1.6
ECFIN NAIRU estimate	8.0	7.9	7.8	7.7	7.5	:	:	:	:
Output gap (%)	1.4	0.5	– 0.5	– 0.2	– 0.8	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	1.8	2.3	1.8	1.8	1.5	1.5	1.4	1.4	1.5
GDP deflator	2.4	2.7	2.3	2.0	1.9	1.7	1.5	1.4	2.2
Sectoral breakdown of unit labour costs									
Agriculture and fishery	3.1	1.1	2.8	– 8.3	6.0	3.9	5.5	:	:
Industry excluding construction	1.0	0.7	– 0.7	– 1.2	– 0.3	1.7	– 1.0	:	:
of which: manufacturing	1.8	1.5	0.3	– 1.3	– 1.4	:	:	:	:
Construction	2.3	2.8	1.1	2.7	3.7	7.2	2.1	:	:
Trade, transport and communication	1.2	1.4	0.1	1.0	0.9	1.6	0.4	:	:
Finance and business services	3.9	3.0	– 0.4	2.1	1.8	0.9	0.9	:	:
Non-market-related services	2.3	3.2	1.8	3.1	2.9	1.7	1.3	:	:
Market-related sectors	1.5	1.7	– 0.1	0.5	:	1.8	0.4	:	:
Sectoral breakdown of compensation per employee									
Total industries	2.4	2.6	1.0	2.9	2.2	:	:	:	:
Agriculture and fishery	2.8	3.3	0.5	1.5	2.7	2.4	0.9	:	:
Industry excluding construction	1.9	2.6	1.8	3.3	1.9	2.0	2.1	:	:
of which: manufacturing	2.6	2.8	2.8	3.3	2.8	:	:	:	:
Construction	2.2	2.9	1.5	3.5	2.2	0.8	1.4	:	:
Trade, transport and communication	2.4	2.3	0.5	2.6	2.4	1.8	2.0	:	:
Finance and business services	3.4	2.6	0.9	2.8	2.2	1.4	1.6	:	:
Non-market-related services	2.4	3.1	0.9	3.2	2.6	1.7	1.3	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 0.4	2.2	– 2.2	10.6	– 3.1	– 1.5	– 4.3	– 2.5	– 3.9
Industry excluding construction	0.9	1.8	2.6	4.6	2.2	0.3	3.1	2.4	3.0
of which: manufacturing	0.9	1.3	2.5	4.6	4.2	:	:	:	:
Construction	– 0.1	0.1	0.4	0.8	– 1.4	– 5.9	– 0.7	0.2	0.5
Trade, transport and communication	1.2	0.8	0.4	1.6	1.5	0.2	1.6	2.0	2.2
Finance and business services	– 0.5	– 0.4	1.2	0.7	0.4	0.5	0.8	0.3	0.0
Non-market-related services	0.1	– 0.1	– 0.9	0.1	– 0.2	0.0	0.1	– 0.6	– 0.3
Market-related sectors	0.7	0.8	1.2	2.4	1.0	– 0.2	1.4	1.4	1.5

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

Work status of persons
Euro-zone

		2001	2002	2003	2004	2005 (1)	Changes 2004-05 (1)	in
1. Population (total)	**1 000 pers.**	300 721	302 362	303 907	305 264	*307 330*	0.7	%
2. Population (working age: 15-64)		202 236	202 977	203 830	204 182	*205 671*	0.7	%
as % of total population		67.3	67.1	67.1	66.9	*66.9*	0.0	p.p.
3. Labour force (15-64)	**1 000 pers.**	136 510	138 253	140 042	141 183	*143 536*	1.7	%
Male		77 985	78 619	79 202	79 431	*80 442*	1.3	%
Female		58 525	59 634	60 840	61 753	*63 094*	2.2	%
4. Activity rate (as % of population 15-64)		67.5	68.1	68.7	69.1	*69.8*	0.6	p.p.
Young (15-24)		43.9	44.1	43.9	44.0	*44.0*	0.1	p.p.
Prime age (25-54)		81.8	82.4	82.9	83.3	*83.7*	0.4	p.p.
Older (55-64)		37.5	38.8	40.6	41.6	*43.5*	2.0	p.p.
Male		77.1	77.4	77.7	77.8	*78.2*	0.4	p.p.
Young (15-24)		47.6	47.9	47.4	47.6	*47.8*	0.2	p.p.
Prime age (25-54)		92.7	92.7	92.7	92.7	*92.8*	0.2	p.p.
Older (55-64)		48.4	49.8	51.5	52.3	*53.5*	1.1	p.p.
Female		57.9	58.8	59.7	60.5	*61.4*	0.9	p.p.
Young (15-24)		40.3	40.3	40.2	40.2	*40.2*	0.0	p.p.
Prime age (25-54)		70.9	72.0	73.0	73.9	*74.5*	0.6	p.p.
Older (55-64)		27.0	28.2	30.1	31.3	*34.0*	2.7	p.p.
5. Employment rate (as % of population 15-64)		62.0	62.4	62.5	62.7	*63.4*	0.7	p.p.
Young (15-24)		37.2	37.1	36.5	36.2	*36.2*	0.1	p.p.
Prime age (25-54)		76.0	76.2	76.3	76.5	*76.9*	0.5	p.p.
Older (55-64)		34.7	36.1	37.5	38.3	*40.2*	1.9	p.p.
Male		71.9	71.8	71.5	71.3	*71.7*	0.4	p.p.
Young (15-24)		40.9	40.7	39.7	39.4	*39.5*	0.0	p.p.
Prime age (25-54)		87.3	86.8	86.3	86.0	*86.2*	0.2	p.p.
Older (55-64)		45.0	46.5	47.8	48.4	*49.4*	1.0	p.p.
Female		52.2	52.9	53.6	54.2	*55.2*	1.0	p.p.
Young (15-24)		33.4	33.3	33.2	32.8	*32.9*	0.1	p.p.
Prime age (25-54)		64.7	65.5	66.1	66.9	*67.6*	0.7	p.p.
Older (55-64)		24.8	26.0	27.7	28.6	*31.4*	2.8	p.p.
6. Employed persons (age 15-64, 1 000 pers.)		125 469	126 558	127 479	128 082	*130 475*	2 393	Th.
Male (as % of total)		57.9	57.6	57.2	56.8	*56.5*	– 0.3	p.p.
Female (as % of total)		42.1	42.4	42.8	43.2	*43.5*	0.3	p.p.
7. Employment growth (%) (national accounts)		1.5	0.7	0.3	0.6	*0.7*		p.p.
Employment growth (%) (LFS, age 15-64)		*5.1*	*0.9*	*0.7*	*0.5*	*1.9*		p.p.
Male		*4.9*	*0.3*	*0.0*	*– 0.1*	*1.3*		p.p.
Female		*5.4*	*1.7*	*1.7*	*1.2*	*2.6*		p.p.
8. Self employed (% of total employment)		8.4	8.3	8.4	9.6	*9.7*	0.1	p.p.
Male		9.9	9.9	10.0	11.4	*11.4*	0.0	p.p.
Female		6.2	6.2	6.2	7.2	*7.4*	0.2	p.p.
9. Temporary employment (as % total)		15.1	14.8	14.6	15.2	*15.9*	0.7	p.p.
Male		14.1	13.8	13.6	14.2	*15.2*	1.0	p.p.
Female		16.3	16.2	15.8	16.3	*16.8*	0.5	p.p.
10. Part-time (as % of total employment)		16.0	16.1	16.5	17.4	*18.6*	1.2	p.p.
Male		5.1	5.3	5.4	5.8	*6.3*	0.6	p.p.
Female		30.9	30.8	31.3	32.8	*34.6*	1.8	p.p.
11. Unemployment rate (harmonised: 15-74)		7.9	8.3	8.7	8.9	*8.6*	– 0.3	p.p.
Young (15-24)		15.3	16.0	16.8	17.8	*17.8*	0.0	p.p.
Prime age (25-54)		7.1	7.5	8.0	8.2	*8.1*	– 0.2	p.p.
Older (55-64)		7.5	7.1	7.5	7.9	*7.6*	– 0.3	p.p.
Male		6.3	6.9	7.4	7.6	*7.4*	– 0.2	p.p.
Young (15-24)		13.9	14.9	16.4	17.2	*17.4*	0.2	p.p.
Prime age (25-54)		5.8	6.3	6.9	7.2	*7.1*	– 0.1	p.p.
Older (55-64)		7.1	6.7	7.3	7.6	*7.6*	0.0	p.p.
Female		9.9	10.1	10.5	10.5	*10.0*	– 0.5	p.p.
Young (15-24)		16.9	17.2	17.4	18.5	*18.3*	– 0.3	p.p.
Prime age (25-54)		8.8	9.0	9.4	9.5	*9.2*	– 0.3	p.p.
Older (55-64)		8.3	7.7	7.9	8.5	*7.6*	– 0.9	p.p.
12. Long-term unemployment rate								
(as % of total unemployment)		:	42.8	44.3	43.7	*44.9*	1.2	p.p.
13. Worked hours (average actual weekly hours)		37.9	37.1	37.2	37.3	*37.3*	0.0	%
Male		41.2	40.2	40.4	40.7	*41.0*	0.7	%
Female		33.3	32.7	32.8	32.6	*32.4*	– 0.6	%
14. Sectoral employment growth								
Agriculture		– 1.3	– 1.4	– 2.1	:	*:*		p.p.
Building and construction		1.6	0.4	0.8	:	*:*		p.p.
Services		2.1	1.4	1.0	:	*:*		p.p.
Manufacturing industry		0.4	– 1.5	– 1.5	– 1.8	*– 1.6*		p.p.

(1) 2005: preliminary figures.

Source: Eurostat, labour force survey.

Indicator board on wage developments
Euro-zone

	Annual % change								
	2001	2002	2003	2004	2005	05-Q1	05-Q2	05-Q3	05-Q4
Different measures of wage/labour costs:									
Compensation per employee	2.8	2.8	2.5	2.3	1.9	1.3	1.4	:	:
Compensation of employees per hour worked	3.5	3.9	2.9	2.2	2.4	:	:	:	:
Hourly labour costs (Eurostat labour cost index)	3.9	3.5	3.1	2.4	2.4	2.7	2.6	2.3	2.3
Negotiated wages (euro area only)	2.6	2.7	2.4	2.2	:	2.2	:	:	:
Nominal unit labour costs	2.3	2.5	2.0	0.9	1.3	1.8	0.4	:	:
Real unit labour costs deflated by GDP deflator	– 0.1	– 0.2	– 0.2	– 1.1	– 0.7	– 0.2	– 1.3	:	:
Wages and salaries	:	:	:	:	:	:	:	:	:
Compensation per employee adjusted by total factor productivity	:	:	:	:	:	:	:	:	:
Adjusted wage share (% of GDP at current market prices)	65.8	65.6	65.5	64.9	64.7	:	:	:	:
Structure of labour costs									
Share of indirect costs in total labour costs	:	:	:	:	:	:	:	:	:
Total wage (as % of total labour costs) ANNUAL	:	:	:	:	:	:	:	:	:
Direct remuneration and bonuses (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Employers' social security contributions (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Other indirect costs (as % of total labour costs)	:	:	:	:	:	:	:	:	:
Memo items: determinants or benchmarks according to which wage developments can be assessed									
Labour productivity (GDP/person employed)	0.4	0.3	0.4	1.5	0.7	– 0.4	1.0	0.7	0.6
Hourly labour productivity	0.9	1.3	0.9	1.3	0.9	:	:	:	:
GDP	2.0	0.9	0.8	2.1	1.3	0.5	1.9	1.4	1.4
ECFIN NAIRU estimate	8.6	8.5	8.5	8.4	8.3	:	:	:	:
Output gap (%)	1.6	0.6	– 0.5	– 0.3	– 0.9	:	:	:	:
Headline inflation (harmonised consumer price index 1996 = 100)	:	:	:	:	:	:	:	:	:
Underlying inflation (excluding energy and unprocessed food)	1.9	2.5	2.0	2.1	1.5	1.7	1.5	1.4	1.5
GDP deflator	2.5	2.7	2.2	2.0	2.0	2.0	1.7	1.7	2.1
Sectoral breakdown of unit labour costs									
Agriculture and fishery	7.1	1.7	3.9	– 10.1	5.3	2.9	5.2	:	:
Industry excluding construction	1.8	1.0	0.8	– 1.3	– 0.4	1.6	–1.5	:	:
of which: manufacturing	1.8	1.4	0.4	– 1.0	– 1.8	:	:	:	:
Construction	1.5	2.9	2.3	1.9	3.1	6.8	1.5	:	:
Trade, transport and communication	1.5	1.7	1.9	0.4	0.6	1.7	0.1	:	:
Finance and business services	3.8	2.9	1.6	1.7	1.8	1.4	1.6	:	:
Non-market-related services	3.0	3.3	3.1	1.9	2.4	1.8	1.4	:	:
Market-related sectors	3.0	1.8	1.7	– 0.1	:	1.8	0.2	:	:
Sectoral breakdown of compensation per employee									
Total industries	1.9	2.5	2.3	2.1	1.9	:	:	:	:
Agriculture and fishery	0.4	2.8	0.9	0.8	1.7	1.7	0.6	:	:
Industry excluding construction	1.4	2.4	3.0	3.0	1.9	1.9	2.3	:	:
of which: manufacturing	2.5	2.5	2.4	3.3	2.5	:	:	:	:
Construction	0.8	2.2	1.4	2.4	1.6	0.6	1.3	:	:
Trade, transport and communication	1.8	2.2	1.8	1.7	2.1	1.8	1.9	:	:
Finance and business services	2.7	2.5	2.4	1.9	1.9	1.4	2.1	:	:
Non-market-related services	2.2	3.1	2.5	2.2	2.0	1.4	1.1	:	:
Sectoral breakdown of labour productivity									
Agriculture and fishery	– 6.3	1.1	– 2.9	12.1	– 3.4	– 1.2	– 4.4	– 2.8	– 4.6
Industry excluding construction	– 0.3	1.4	2.2	4.4	2.3	0.4	3.8	2.4	2.7
of which: manufacturing	0.6	1.1	2.1	4.3	4.4	:	:	:	:
Construction	– 0.6	– 0.7	– 0.9	0.5	– 1.5	– 5.9	– 0.2	0.2	– 0.4
Trade, transport and communication	0.2	0.5	– 0.2	1.3	1.5	0.1	1.7	2.1	1.9
Finance and business services	– 1.1	– 0.4	0.7	0.2	0.0	0.0	0.4	– 0.1	– 0.2
Non-market-related services	– 0.8	– 0.1	– 0.6	0.2	– 0.4	– 0.3	– 0.3	– 0.6	– 0.2
Market-related sectors	– 0.8	0.6	0.7	2.2	0.9	– 0.3	1.6	1.3	1.1

NB: Available on an annual basis only.

Source: AMECO, Eurostat-National Account, ECB.

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